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REAUTHORIZATION OF PIPELINE SAFETY

HEARING

BEFORE THE

SUBCOMMITTEE ON
SURFACE TRANSPORTATION

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

ON

REAUTHORIZATION OF PIPELINE SAFETY

MARCH 28, 1985

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REAUTHORIZATION OF PIPELINE SAFETY

THURSDAY, MARCH 28, 1985

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
SUBCOMMITTEE ON SURFACE TRANSPORTATION,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:25 a.m. in room SDG-50, Dirksen Senate Office Building, Hon. Bob Packwood (chairman of the subcommittee) presiding.

Staff members assigned to this hearing: Pamela Garvie, staff counsel and Linda Morgan, minority staff counsel.

OPENING STATEMENT BY SENATOR PACKWOOD

Senator PACKWOOD. The hearing will come to order, please. I might say that it is a pleasure to have a hearing on a subject that has relatively little controversy. One thing that is clearly indicative of that is the size of the crowd that is here today. My rule of thumb after almost 20 years in politics is that when anything is inflamatory or controversial, you fill up the hearing hall; and when things are going smoothly and there have been no newspaper stories and no complaints and by and large the program has worked well, you have relatively few people who show up. I hope that Cindy Douglass is going to assure us that is going to continue, as it has in the past.

Senator Hollings has an opening statement which will be included in the record.

[The statement follows:]

OPENING STATEMENT BY SENATOR HOLLINGS

Today the Commerce Committee will be examining the pipeline safety program administered by the DOT and its future funding needs. As with the other transportation safety programs, I am interested in ensuring that the Federal Government continues to play a key leadership role in regulating pipeline safety and maintains a strong partnership with the states and industry in this area.

Of particular interest to me are the recent efforts of DOT in response to a 1984 GAO report on the pipeline program, which highlighted the possible need to regulate certain pipeline systems not now regulated by DOT; the need to improve the efficiency and coverage of DOT's enforcement efforts; and the need to strengthen DOT's monitoring of the state inspection programs. In addition, it is important for the Committee to examine carefully the administration's proposal for the funding and merger of the natural gas and hazardous liquid state grant-in-aid programs to ensure that the state enforcement programs, which are an integral part of the pipeline safety enforcement effort, have the necessary resources to remain effective and responsive to pipeline safety needs.

I look forward to the testimony of DOT, State, and industry representatives on these points.

Senator PACKWOOD. Our first witness today is the Honorable M. Cynthia Douglass, the administrator of the Research and Special Programs Administration for the Department of Transportation, but one who I more commonly know as Cindy, and who worked with me on the Commerce Committee for a good many years. I am delighted to see her in this new position.

It is good to have you with us.

STATEMENT OF M. CYNTHIA DOUGLASS, ADMINISTRATOR, RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION, DEPARTMENT OF TRANSPORTATION, ACCOMPANIED BY LEE SANTMAN, DIRECTOR, MATERIALS TRANSPORTATION BUREAU

Ms. DOUGLASS. Thank you, Senator. I see my microphone is on.

Senator, I want to introduce Lee Santman. He is the Director of our Materials Transportation Bureau, which carries out our pipeline safety programs for us.

Senator PACKWOOD. Thank you.

Ms. DOUGLASS. I am pleased to be here today to present the Department of Transportation's authorization request for fiscal year 1986 for our pipeline safety program. I will submit my full statement for the record and take about 5 minutes to highlight our budget request.

Senator PACKWOOD. I would say to all of the witnesses, you were very kind to give us your statements prior to the hearing, and I read them all last night, and they will all be in the record in full. I have a few questions for some of you, but you do not need to read your statements verbatim.

Ms. DOUGLASS. The Natural Gas Pipeline Safety Act of 1968 and the Hazardous Liquid Pipeline Safety Act of 1979 authorize the Department's pipeline safety program. Under those acts, we regulate, inspect, and enforce pipeline safety for natural gas pipelines and hazardous liquid pipelines.

Under both acts, the States may assume responsibility for regulating, inspecting and enforcing intrastate pipeline safety so long as they adopt the Federal standards as their own. We encourage them to do so, in large part, with the State grant-in-aid program.

It is important to note that the Federal interstate standards for hazardous liquid lines have been in place since 1981 and that the Federal regulations for intrastate lines are now complete and undergoing a final internal review. Those regulations will be effective very shortly.

We are seeking the following authorizations to carry out our pipeline safety program in fiscal year 1986. Under the Natural Gas Pipeline Safety Act, a total of $7.85 million, $3.35 million for the expenses of the Natural Gas Pipeline Safety Program, and $4.5 million for the grant-in-aid program. Under the Hazardous Liquid Pipeline Safety Act we are requesting $850,000 to carry out that program.

This budget request generally represents a freeze in fiscal year 1985 spending programs with the following significant exceptions. It does represent a 5-percent pay cut across the board in the administration, and a 10-percent across the board administrative cost cut.

Senator PACKWOOD. Let me ask you just a quick question. If by chance the Congress did not go along with the 5-percent pay cut, and so you had in essence that much more money, would you expect us to therefore cut someplace else to keep the total at what you have requested? Or would you just keep your pay where it is, and then have some slight additional money to play with?

Ms. DOUGLASS. Well, we would assume that if the 5-percent pay cut were not granted by Congress, that that would be put back into the budget.

Senator PACKWOOD. But you are giving us a total that assumes a 5-percent pay cut, and I do not think Congress is going to cut the pay 5 percent. That means you are going to have at least that much more money in your budget than you are now asking, unless we took out of someplace else on the assumption, oh, well, you can get along with the total you are asking for.

Ms. DOUGLASS. So what that would mean would essentially be adding something like $3.45 million instead of $3.35 million, and then adding another amount to the Hazardous Liquid Pipeline Safety Act. It amounts to about $125,000 to our authorization request. We could submit the difference between the Hazardous Liquid Program and the Natural Gas Program for the record, if you would like that.

[The information referred to follows:]

The 5-percent pay cut restoration would increase the "Personnel Compensation and Benefits" category of our fiscal year 1986 budget request as follows:

Hazardous Liquid Gas Program	+$25,000
Natural Gas Program	+100,000
Total increase	+125,000

Ms. DOUGLASS. This budget request anticipates a pipeline safety program based on the following activities: research and development of regulations to prevent pipeline failures; training of Federal and State inspectors to inspect and enforce our regulations; inspection of the pipelines; enforcement of our regulations; and dissemination of data collection information and educational materials to those involved in pipeline transportation.

We are also seeking a merger of the two pipeline grant programs, and requesting that the merged program be funded at a $4.5 million level. While this amount does not reflect additional dollars for the hazardous liquid program, it does have two distinct advantages.

First, it gives flexibility to the States to direct these Federal safety dollars to those pipelines which have the biggest safety problem, whether natural gas pipelines or hazardous liquid pipelines.

Second, it encourages those States with hazardous liquid pipelines to adopt the Federal intrastate standards.

This budget request will allow us to continue programs that promote safety and efficiency in pipeline transportation. The most tangible indication of the success of our pipeline safety program is our safety record. The numbers fluctuate, but the overall trend of fatalities and injuries has been downward.

Last year there were 35 fatalities and 239 injuries caused by a little over 1,000 natural gas pipeline accidents. I believe it is important to note that of the 35 fatalities reported, most were attributa-

ble to outside forces, third-party damage, or maintenance repair work which was done by persons over whom we have no jurisdiction and which therefore did not involve violations of our regulations.

With respect to hazardous liquid pipelines, I am pleased to report that there were no fatalities, and only 19 injuries caused by 203 hazardous liquid pipeline accidents.

I am committed to ensuring that this excellent safety record continues as we carry out the congressional mandates for pipeline safety.

Mr. Chairman, this past year the Pipeline Safety Program has undergone intensive review and change, and I would like to highlight a few of the changes for you.

First, with respect to the Natural Gas Grant Program, we are in the process of changing the way we allocate the Federal dollars to the States. We are proceeding slowly until we perfect our new allocation formula, but we do believe it is time for a change.

When the Natural Gas Pipeline Safety Act was originally passed in 1968, one of the objectives was to further Federal uniformity in pipeline safety regulations and enforcement. The grant program was set up to encourage the States to adopt and enforce the Federal regulations. We allocated the grant moneys to the States based simply on whether or not they had adopted the Federal rules for intrastate natural gas pipeline safety.

Now that 49 jurisdictions have essentially adopted the Federal regulations, it is desirable to set some basic criteria to encourage States to improve the safety and efficiency of their programs. We are doing that, setting those basic criteria.

Second, when I was appointed Administrator of the Research and Special Programs Administration by Secretary Dole about a year ago, Secretary Dole asked me to review the Pipeline Safety Program to determine what improvements could be made in the program, and to make recommendations to her if I felt changes were necessary.

In response to her request, I began a complete review of our program. A few months later in July 1984, the GAO issued their report which they characterized as recommending minor tweaks to our system. While I consider a program review and subsequent improvements to be an ongoing process, I am able to report that a number of improvements and changes and assessments are already being made. Many of these are described in our response to the GAO, which I will be glad to submit for the record.

Third, both the Natural Gas Pipeline Safety Act and the Hazardous Liquid Pipeline Safety Act established pipeline safety advisory committees comprised of industry, government, and public members. These committees provide the Department with balanced and knowledgeable advice on our pipeline safety regulations.

In fiscal year 1985, both committees met individually on upcoming pipeline regulations, and then met jointly to assist me in an overall review of our Pipeline Safety Program. I believe these meetings set an example of how important this type of advice can be to a Government program. For example, the joint meetings of the advisory committees resulted in a written report to the Secre-

tary making observations and recommendations regarding the GAO report and our Pipeline Safety Program.

I will submit that full report to the committee, but I would like to highlight their most basic conclusion. That is, that the operating performance of the industry is generally good, and the Department's programs appear to be meeting the broad objectives of the Natural Gas Pipeline Safety Act and the Hazardous Liquid Pipeline Safety Act.

In conclusion, the Federal Pipeline Safety Program is achieving the purposes of the two acts. The administration's budget request for fiscal year 1986 will allow us to continue the progress made in fiscal year 1985.

That concludes my statement, and I will be happy to answer any questions for the record.

Senator PACKWOOD. Elaborate just a bit more, Cindy, on when you expect to have your regulations on intrastate hazardous liquid pipelines out.

Ms. DOUGLASS. Well, we would expect to have those out, I hope, within the next month, April.

Senator PACKWOOD. Within a month, or within the next month?

Ms. DOUGLASS. By May 1, I think we will have those out.

Senator PACKWOOD. OK. Elaborate a bit more on what you are planning to do in response to the GAO report.

Ms. DOUGLASS. OK. We did respond to the GAO report, and I will submit a copy of that response for the record.[1]

I believe most of the concerns of the GAO were addressed in that response. Generally I believe that the GAO and others have found that our regulations on pipeline safety are adequate, and of course those are undergoing continual review and being updated. However, overall I believe that our general regulations are in good shape.

Now they did recommend that we study the breakdown between Federal and State jurisdiction, in other words who should have jurisdiction over master meters, municipal systems, and that sort of thing. We agreed to do that and are undertaking an extensive review.

Senator PACKWOOD. You actually came off pretty well in the GAO report, all things considered.

Ms. DOUGLASS. Yes. I believe that we did. When we talked with the GAO about this study, they did say that they would characterize their report as minor tweaks on the system; and in fact, most of the recommendations that they made were based on talking with our staff. These are things that our staff were planning on doing and were moving out on anyway, and so there was really much agreement between GAO and DOT.

I have not seen GAO's testimony, but I do believe that they probably would agree with that.

Senator PACKWOOD. Let me shift just a bit, now. You are well aware that from time to time the idea has been kicked around to establish user fees, to pay for the costs associated with the safety programs of both the Federal Government and the States. What do you think about it?

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[1] See p. 38

Ms. DOUGLASS. Well, we have not taken a position on user fees yet, but generally the administration has been supportive of user fees. In regard to user fees, I would like to mention a couple of things.

GAO is taking a look at this, and I expect their report to be completed in April sometime. As soon as they finish their report I think DOT will want to take a very extensive look at user fees. There are a number of questions that need to be answered before we could recommend user fees.

For example, we are not talking about a great deal of money here, and the question is which programs that we currently fund should we go to a user fee for. If it is just for the Federal Interstate Inspection Program, that is really a very small amount of money, and I am not quite sure if the costs of collecting the user fee will justify the user fee. When you collect a user fee, there are costs to the Federal Government and there are costs to the industry. I know with this pipeline program there are benefits to all of us. All of us benefit from pipeline safety.

So there are many questions: Who do you collect this money from? How do you collect the money? What are the costs? And is it worth it? I mean, these are some of the questions.

Senator PACKWOOD. You mean, what are the costs associated with collection?

Ms. DOUGLASS. Yes. These are some of the questions that we will be evaluating.

Senator PACKWOOD. That is a fair question. This administration is very enthusiastic about user fees, but if you have got a program that is relatively inexpensive—and yours is relatively inexpensive—then you have got to weigh whether or not it is worth going to user fees to collect a relatively slight amount of money.

Ms. DOUGLASS. And maybe another issue is how do you make sure that there are cost controls. Under the present system, there are ways of controlling those costs through the hearing process and through the OMB process, through all of the different checks and balances on our budget system. But with a user fee, I am a little bit concerned, I think that this can be controlled, but you run into a situation of where perhaps you collect—because it is such a tiny amount of money, if you even collect $500,000 more, the next year that will add up to $1 million, and then do you just go ahead and say, okay, we will just go ahead and authorize spending $1 million for this program or that program. It might become easier to just go ahead.

Senator PACKWOOD. What you do is collect more than you need and then freeze the payout, which we do in a variety of other trust funds. This helps us to narrow the deficit.

Ms. DOUGLASS. That is one thought.

Senator PACKWOOD. I am not suggesting you come to that conclusion, but as you are well aware from your past work on the Commerce Committee, there are a number of trust funds that do exactly that.

Cindy, I have no more questions. Congratulations on running a very successful program.

Ms. DOUGLASS. Thank you.

Senator PACKWOOD. It is good to have you back. Thank you Mr. Sandman?

[The statement follows:]

STATEMENT OF M. CYNTHIA DOUGLASS, ADMINISTRATOR, RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION, DOT

Good morning, I am delighted to be here today as Administrator of the Research and Special Programs Administration (RSPA) to discuss authorization of our pipeline safety programs for fiscal year 1986 and 1987.

My statement will highlight the recent progress we have made toward fulfilling our mandates under the two statutes that guide RSPA's programs—the Natural Gas Pipeline Safety Act of 1968 (NGPSA) and the Hazardous Liquid Pipeline Safety Act of 1979 (HLPSA).

We are seeking the following authorizations for the the pipeline safety program for fiscal year 1986:

Under the NGPSA, a total of $7.85 million—$3.35 million for the associated expenses of the Federal natural gas pipeline safety program conducted by the Materials Transportation Bureau and $4.5 million for grants-in-aid to help support state-administered gas pipeline safety programs; and

Under the HLPSA, $850,000 to carry out the hazardous liquid pipeline safety program.

Our budget request anticipates a pipeline safety program based on the following activities:

(1) Research and development of regulations to prevent pipeline failures;

(2) Training of Federal and State inspectors to inspect and enforce the regulations;

(3) Inspection of pipelines;

(4) Enforcement of the regulations; and

(5) Dissemination of data collection information and educational materials to those involved in pipeline transportation.

This budget will allow us to continue programs that promote safety and efficiency in pipeline transportation.

NATURAL GAS PIPELINE SAFETY ACT OF 1968

The NGPSA provides for Federal safety regulation of facilities used in the transportation of natural and other gases by pipeline. The NGPSA provides a framework for assuring gas pipeline safety consisting of two parts:

(1) Exclusive Federal authority to regulate interstate pipelines and facilities,

(2) Federal responsibility for regulation of intrastate pipelines with provisions for State assumption of all or part of the intrastate responsibility.

The Department's responsibility for safety regulation of natural gas pipelines involves more than 2,300 operators of a gas pipeline network of over 1.5 million miles.

The cornerstone of this Federal gas pipeline safety program is the partnership program we have established with the States. The NGPSA provides for grants to States that undertake to establish regulatory and enforcement authority for intrastate natural gas pipelines. Such States may be reimbursed for up to 50 percent of expenses incurred in running their programs. Forty-nine jurisdictions have developed safety programs by adopting the Federal pipeline safety regulations and enforcing them with substantially the same sanctions as those employed by the Department. Twenty-six of the jurisdictions are receiving a full 50 percent of their estimated program costs. Thirty-six states are receiving at least 40 percent of their estimated program costs.

The efforts of State programs have encouraged natural gas pipeline operators to devote increased resources and improved state-of-the-art technology to the design, construction, operation, and maintenance of their systems and to develop more effective training and public awareness programs. Operator improvements have mitigated the deterioration of thousands of miles of pipelines and have resulted in the replacement of substantial portions of obsolete and degraded systems.

The most tangible indication of the success of the gas pipeline safety program is our safety record. The numbers fluctuate but the overall trend of fatalities and injuries has been downward. Last year, there were 35 fatalities and 239 injuries caused by 1,071 natural gas pipeline accidents. I believe it is important to note that of the 35 fatalities reported most were attributable to outside forces (third party damage) or maintenance-repair work which was done by persons over whom we have no jurisdiction, and which, therefore, did not involve violations of our regulations.

HAZARDOUS LIQUID PIPELINE SAFETY ACT OF 1979

The HLPSA authorizes the Department of Transportation to regulate hazardous liquid pipelines (e.g., crude oil and gasoline) for safety purposes. This Act mirrors the NGPSA.

The Act includes provisions that allow for: Federal safety standards for hazardous liquid pipelines; a Federal/State partnership for regulating intrastate pipelines, with Federal financial assistance to State agencies adopting and enforcing the Federal standards for intrastate pipelines; and establishment of civil enforcement remedies for violations of the Federal standards. It is important to note that the Federal interstate standards for hazardous liquid lines have been in place since 1981 and that the Federal regulations for intrastate lines are now complete and undergoing a final internal review. Those regulations will be effective this year.

Implementation of this intrastate standard was originally delayed to allow States the necessary time to determine the extent of intrastate involvement, to enact enabling legislation, and to develop the other regulatory tools required to administer statewide programs.

Seventeen States have now established jurisdiction including California and Texas, where a large number of intrastate pipelines are located. Six others are seeking jurisdiction from their State Legislatures for intrastate hazardous liquid pipelines. Most of the States we consider to be essential to a successful Federal/State partnership program for hazardous liquid pipelines—that is, those with a significant amount of liquid pipelines—have established or are seeking jurisdiction.

Finally, with respect to hazardous liquid pipelines, I am pleased to report there were no fatalities and only 19 injuries caused by 203 hazardous liquid pipeline accidents. I am committed to ensuring that this excellent safety record continues as we carry out the Congressional mandates for pipeline safety.

AUTHORIZATION REQUEST FOR GRANT IN AID PROGRAM ($4.5 MILLION FOR FISCAL YEAR 1986)

Both Acts set up a Federal grant-in-aid program. The purpose of the grants-in-aid is to encourage the States to adopt, inspect and enforce the Federal regulations for intrastate pipelines.

In FY 1985 $4.5 million was appropriated for grants-in-aid to the States for their natural gas pipeline safety programs. No money was appropriated for the hazardous liquid program.

This year we are requesting that Congress merge the two grant programs and authorize $4.5 million for the merged program. While this amount does not reflect additional dollars for the hazardous liquid program it does have two distinct advantages. First, it gives flexibility to the States to direct their safety dollars to those pipelines which have the biggest safety problem, whether natural gas or hazardous liquid. Second, it encourages those States with hazardous liquid pipelines to adopt the Federal intrastate standards. We believe a merger of the programs makes safety sense. It will also best serve our administrative needs by providing an efficient unified approach to the operation of substantially identical programs.

In keeping with the Administration's present deficit reduction efforts, we would oppose new funding for the hazardous liquids grant program. Additional funding for a separate grant program cannot be justified on safety grounds or on uniformity grounds at this time. Further, the States are already seeking alternative sources of funding for such programs. For example, California has instituted user fees.

Another change in the grant program which we implemented in FY 1985 and expect to refine in FY 1986 affect the way we allocate the Federal dollars to the States. We are proceeding slowly until we perfect our new allocation formula but we do believe it is time for a change in this direction.

When the Natural Gas Pipeline Safety Act was originally passed in 1968, one of the objectives was to further Federal uniformity in pipeline safety regulations and enforcement. The grant program was set up to encourage the States to adopt and enforce the Federal regulations. We allocated the grant money to the States based simply on whether or not they had adopted the Federal rules for intrastate natural gas pipeline safety.

Now that 49 jurisdictions have essentially adopted the Federal regulations, it is desirable to set some basic criteria to encourage States to improve the safety and efficiency of their programs. In FY 1985, RSPA distributed the $4.5 million appropriated as follows: $3.5 million was distributed as it has been in the past; the remaining $1 million was distributed according to certain criteria designed to seek improvements in state programs. The criteria used by RSPA were participation status,

jurisdiction, inspector qualifications, recommended number of inspectors and recommended number of inspection person-days.

Use of this formula for allocation of grant money has the advantage of encouraging States to upgrade their programs. Some would like to see us go further and see to it that Federal dollars are directed at those pipelines likely to present the biggest safety problem. However, our allocation formula must not be so cumbersome—with so many strings attached—that it causes States to drop out of the program.

AUTHORIZATION REQUEST FOR FEDERAL PIPELINE SAFETY PROGRAM ($3.35 MILLION FOR NATURAL GAS PROGRAM AND $850,000 FOR HAZARDOUS LIQUID PROGRAM)

This funding level represents a freeze in FY 1985 spending levels with two exceptions:

1. A 5 percent pay cut ($125,000);
2. A 10 percent across the board adminsitrative cost cut ($20,000).

We do feel it will enable RSPA to continue our pipeline safety programs at an adequate level.

The Federal pipeline safety program budget will allow the Department to do research and develop regulations for pipeline safety. We do not anticipate promulgation of any significant rules in FY 1986. We will be conducting Liquefied Natural Gas spill tests to better understand vapor dispersion distances. We will also initiate a study to compare the requirements of Federal safety standards governing highly volatile liquid (HVL) pipelines to Federal safety standards for gas pipelines. We will continue assessing the effectiveness of damage prevention programs to alleviate the risks of external force damage and in a similar manner, we will continue assessing changes in gas pipeline reporting requirements. The Federal pipeline safety program provides funding for 17 Federal Inspectors who inspect interstate pipelines and work directly with the State inspectors on intrastate pipelines; it also funds the program personnel responsible for overseeing the State programs. Further, the budget allows for funding of meetings of the two pipeline safety advisory committees.

Our budget request anticipates continued funding for training programs for Federal and state pipeline inspectors at RSPA's Transportation Safety Institute. Because pipeline safety training at State selected sites has proven to be so popular with States, we also intend to continue this program.

In addition to training programs, the RSPA offers a variety of training aids, newsletters and booklets for use in pipeline safety compliance and enforcement. For example, the "Guidance Manual for Operators of Small Gas Systems" and its companion training package, is now in its second printing. Over 20,000 copies have been distributed.

Further RSPA has undertaken a number of studies at the request of Congressional representatives or Committees. They are summarized as follows:

(1) *Methanol Pipeline Study.*—Study of issues relating to the transportation of methanol through interstate liquid pipelines. The study examines the economics and engineering of such transportation; and any associated environmental, health and safety problems.

The report on the study has been completed and we expect to forward it to Congress by mid-April.

(2) *Pipeline Safety Testing/Inspection Methods Study.*—Study of the feasibility of, and costs connected with, requiring various methods of testing and inspecting hazardous liquid pipeline facilities, including new technologies available for monitoring from the outside or the inside the condition of such facilities.

Contacts have been made with other Federal agencies, trade associations, pipeline companies, R&D organizations and equipment suppliers to identify inspection/testing methods which are available. Literature searches and an industry survey have been completed. Our initial findings were presented to the Hazardous Liquid Committee on February 27, 1985. A final report is due to Congress October 11, 1985.

(3) *Study to identify and inspect potentially hazardous interstate pipeline transmission facilities constructed before 1940.*—One third of completed questionnaires have been received and the balance are expected by mid-April. Inspection of facilities is scheduled for May and June; with a final report due by July.

(4) *Study of the alignment of pipeline safety regulatory responsibilities among various levels of government.*—The study will examine possible additional pipeline activities to be included in a regulatory program, alternative alignments of governmental responsibilities, legislation and funding of impacts of the alternatives.

A report outline has been completed and circulated for comment. A draft report is scheduled for July.

(5) *Study of Hazardous Liquid Storage Facilities.*—This study will review the safety performance of the facilities incidental to pipeline transportation. The study will examine the potential risks of these facilities not currently regulated under Part 195 to determine if they pose a sufficient threat to warrant regulation.

A storage study questionnaire is being prepared for mailing to a sample of operators. This study is scheduled for completion in July.

(6) *Study to evaluate benefits and costs of establishing a mandatory quality assurance program for interstate pipeline operators.*—Interstate Natural Gas Association of America (INGAA) members are in the process of commenting on quality assurance audits. The final report is scheduled for July.

UNITED STATES GENERAL ACCOUNTING OFFICE (GAO) REPORT

When I was appointed Administrator of the Research and Special Programs Administration by Secretary Dole almost a year ago, Secretary Dole asked me to review the pipeline safety program to determine what improvements could be made in the program and to make recommendations to her if I felt changes were necessary. In response to her request, I began a complete review of our program. A few months later, the GAO issued their report which they characterized as recommending "minor tweaks" to the system.

While I consider program review and subsequent improvements to be an ongoing process, I am able to report on a number of improvements and assessments already being made.

(1) Rulemaking and Federal Jurisdiction

Generally, there has been no criticism of our pipeline safety rulemaking. GAO did recommend that we study the outlay of Federal responsibility under the Acts and determine if new lines of responsibility should be drawn or if any other legislation affecting the Federal/State partnership should be proposed. We are studying this and expect to complete our analysis in FY 1985.

(2) Federal Inspectors

GAO made a number of recommendations aimed at improving Federal inspection coverage of pipeline operators. GAO recommended:

An evaluation of quality assurance programs which we have agreed to;

The use by Federal inspectors of "common inspection units" which we are now doing; and

Improved data collection related to inspections which our inspectors are now including in their monthly reports to RSPA.

(3) Federal Oversight of State Programs

The Department is continuing the effort initiated soon after the establishment of the Federal/State partnership to establish performance-oriented evaluation measures for use in monitoring State gas programs. The GAO audit took place during a time when refinements were being made in the documentation used in the monitoring process. Those changes, which amount to more performance-oriented measures, have been completed and are in use today. The following refinements have been made.

The form for use by Departmental personnel in evaluating State performance has been redesigned in coordination with the National Association of State Pipeline Safety Representatives and is being used beginning in 1985 for monitoring the performance of the States in 1984.

A written monitoring policy has been established. Guidelines that cover the full range of Federal expectations for the performance of the States have been included and are in use.

The criteria for achieving the minimum acceptable level of State inspection activity have been revised; e.g., onsite training of operators and accident investigation are now included in the criteria.

Guidelines to the States on recording, data collection, inspection days, operators inspected, noncompliances found, and enforcement actions have been revised to ensure that Departmental personnel can accurately and fairly assess the State's performance.

Beginning with the monitoring visits conducted in 1985, the Departmental personnel are spending more time reviewing the records of State program activity prepared by States in an attempt to achieve accuracy, completeness and timeliness.

In the 1985 monitoring process, the Department will focus on the adequacy of training received by State personnel, the use of adequate enforcement procedures, manpower requirements, level of effort in inspection, data collection and record

keeping, the extent of assumption of responsibility for intrastate pipeline systems, and program uniformity. These items will be reviewed annually to determine the need for change.

State inspector qualifications have been redefined in terms of the depth of knowledge and skills necessary to perform as an inspector. The qualifications have been synthesized in a generic position description for use by State agencies.

Beginning with 1985, in order to ensure adequate levels of enforcement, the Department is requirng that all new inspectors attend all pipeline safety courses offered at the Transportation Safety Institute within three years of the start of employment as an inspector. Exceptions are granted for good cause.

PIPELINE SAFETY ADVISORY COMMITTEES

Both the NGPSA and HLPSA established pipeline safety advisory committees comprised of industry, government and public members. These Committees provide the Department with balanced and knowledgeable advice on our pipeline safety regulations.

Last year, there was considerable Congressional concern that the Advisory Committees were underutilized and lacked sufficient direction. In accordance with Congressional interest is using the Committees more effectively, and so that I could better evaluate the Department's pipeline safety program, I brought both Advisory Committees into Washington in October 1984 and February 1985. Both Committees met individually on upcoming pipeline regulations and then met jointly to assist me in an overall review of our pipeline safety program. I believe these meetings set an example of how important this type of advice can be to a Government program. For this reason and because the Administration's budget request for FY 1986 provides $40,000 for these Committees, I believe it important to describe the activities of the Committees more completely.

The members of these Committees are widely respected pipeline safety experts from industry, government, and the public sector. They have given a great deal of their time to this pipeline safety program. The Federal Government pays their travel costs and their hotel and food bills up to $75/day. They are expected to meet several times a year. Their advice allows us to have a far more effective pipeline safety program. The benefits are worth far more than the relatively few dollars we spend bringing these people together.

The Gas Committee met on October 30, 1984 and, more recently, on February 28, 1985. At the October meeting the Committee reviewed and approved a RSPA amendment concerning pipe bends and discussed our regulatory projects concerning monitoring external corrosion, class location, welder qualfications and damage prevention. At the Feburary meeting, they reviewed and approved a proposed safety amendment regarding nondestructive testing of welds.

The Hazardous Liquid (oil) Committee met on November 1, 1984, and again on February 27, 1985. At the November meeting, the Committee reviewed and approved amendments concerning nondestructive testing of welds and discussed our regulatory projects concerning record keeping and accident reporting. The Committee discussed and deferred for later action the issue of rural gathering/interstate liens noting that more cost/benefit information was needed before the NPRM could be evaluated. At the February meeting the Committee continued the discussion of rural gathering lines and in light of the new comments on cost/benefit information, the Department will revise the proposed rulemaking. The Committee also received reports on the status of Congressionally mandated studies on testing and inspecting hazardous liquid pipelines and the transportation of methanol through the interstate hazardous liquid pipeline system.

Both in October and in February the two Committees met jointly to be briefed on our pipeline safety program. The Committee heard both from our pipeline safety office and from the GAO. At the February meeting the Committee discussed and approved a report to the Secretary making observations and recommendations regarding (1) the GAO report and (2) our pipeline safety program.

With respect to the GAO report the Committees concluded:

Operating performance of the industry is generally good and the Department's programs appear to be meeting the broad objectives of the NGPSA of 1968 and the HLPSA of 1979.

Future decisions on allocation of resources to or within the Department should be based on analysis of accidents, results of inspections and other relevant experience.

Programs should be designed to prevent accidents.

The Department should make better use of existing data and identify areas where insufficient data is available and undertake to generate that data.

The Department should allocate its inspection/enforcement resources based on performance-related statistics. The Committee noted that additional inspection will not address the single largest cause of pipeline accidents which is third party damage. The Department should work with the States to address this problem.

With respect to pipeline safety issues confronting the Department, the Committees concluded:

DOT should support uniform standards for pipeline safety.

Adequate standards exist for pipeline safety based on the data available. The development of new standards or extension of existing standards to gathering lines, master meters or storage facilities should be based on a demonstrated need.

States should be responsible for intrastate lines, municipals, master meters, and LP Gas operators using Federal standards. Federal inspectors should retain responsibility for interstate systems.

The Department should continue pipeline inspector training free-of-charge to the States.

The Department should fund approved State programs at 50 percent. Approval of a State program and funding should be contingent on satisfactory performance by the State program.

Company quality assurance programs should remain voluntary. The Department should recognize effective quality assurance programs as it allocates its inspection resources.

Assessment of the effectiveness of State programs should continue and linkage of funding to effectiveness would add incentive for these programs. Inspection criteria and guidelines should be developed.

Training can be improved by utilizing video tape and slide tape programs.

The actions proposed by the Department in its response to GAO are appropriate.

CONCLUSION

The Federal pipeline safety program is achieving the purposes of the NGPSA and the HLPSA. The Administration's budget request for FY 1986 will allow us to continue the progress made in FY 1985. That concludes my statement and I will be happy to answer questions for the record.

Now let us take Mr. Wilfred Checkley from the Maryland Public Service Commission and Safety Engineer for the National Association of Regulatory Utility Commissioners.

Mr. Checkley, again your entire statement will be in the record.

STATEMENT OF WILFRED CHECKLEY, MARYLAND PUBLIC SERVICE COMMISSION SAFETY ENGINEER, NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS, ACCOMPANIED BY JILL ROE, DIRECTOR OF CONGRESSIONAL RELATIONS

Mr. CHECKLEY. Mr. Chairman, members of the committee, my name is Wilfred Checkley, and I am a safety engineer with the Maryland Public Service Commission. I am testifying on behalf of the National Association of Regulatory Utility Commissioners, or NARUC. With me today is Jill Roe, NARUC director of congressional relations.

We appreciate your invitation to address the Subcommittee on the Reauthorization of the Natural Gas and Hazardous Liquid Pipeline Safety Grant-in-Aids Programs, funding levels that will enable to the programs to achieve their safety objectives.

Since many of our members are current or potential participants in these programs, we are vitally concerned with the future of the Pipeline Programs. The Safety Programs provide for the implementation of the Federally mandated standards to improve our Nation's pipeline safety. In order to achieve that essential public goal, the programs rely heavily on a Federal-State partnership whereby the States voluntarily enforce the Federal safety regulations.

As a result, the programs protect public safety and encourage the States to contribute their own funding and manpower to assist the Federal Government in fulfilling its various pipeline safety responsibilities. The benefits to the Federal Government are a reduction in the necessary Federal funding level, a reduction in the need for a large Federal field staff, and the value of receiving State expertise to assess the unique requirements of a particular locality.

Since its enactment in 1968, the Natural Gas Pipeline Safety Act Grants-in-Aid Program has proven to be a model of Federal-State cooperation. Forty-six States and the District of Columbia and Puerto Rico participate in this program. However, the appropriations for this program have fallen short of the 50-percent matching fund the States need to ensure continued high levels of State participation.

In 1983, the States' requests for grants totalled $5,742,000; in 1984, their request was over $6 million, and for 1985, the request is over $7 million. Unfortunately, the appropriations for this program have continually fallen short of the required funding.

Federal funds allocated to this program have been put to effective use, permitting many States to establish and improve State level pipeline safety activities, as well as to finance personnel training, salary, and equipment expenses. The States further demonstrate their commitment to this program by contributing over 50 percent of the national safety inspection effort. However, the safety risks which this program is designed to minimize are substantial.

Gas and hazardous liquid pipelines carry large quantities of extremely volatile substances, often under high pressure, and expose large segments of the population to high risks. With nearly 1,600 gas pipeline failures resulting in 12 fatalities and 245 injuries in 1983, and over 1,000 accidents resulting in 35 fatalities and 239 injuries in 1984, there is obviously a great need for the reauthorization and continued funding of the Natural Gas Pipeline Safety Program.

It is also important to note that the State inspectors found over 16,000 violations of Federal safety standards in 1983, and in 1984 that number rose to almost 18,000. The increase in discovered violations demonstrates that the State inspectors are doing their job, which is to prevent accidents not just react to them. The NARUC is requesting that $7,138,662 be appropriated for this program for fiscal year 1986.

The Hazardous Liquid Pipeline Safety Program, another Federal-State partnership, is in its fifth year, and funds have never been appropriated. With 17 States having proper jurisdiction for program eligibility and 6 States in the process of procuring jurisdiction through legislation, it is obvious that the States are ready to implement the program. Like the Natural Gas Pipeline Safety Program, the Hazardous Liquid Program would assist the Federal Government in fulfilling its safety responsibilities and would confer the same benefits upon the Federal Government as mentioned earlier with respect to the Gas Pipeline Program.

The Department of Transportation has recently completed a rulemaking on extending the applicability of hazardous liquid pipeline regulations to intrastate pipelines. The final rulemaking on this issue, as Ms. Douglass mentioned, is expected to be printed in

the Federal Register shortly, with an effective date 180 days from publication. This means that the 1986 Federal minimum standards for intrastate hazardous liquid pipelines will be in place and agreements will be signed between the DOT and the States having jurisdiction to regulate intrastate hazardous liquid pipelines.

However, without funding the States will be left with Federal regulations for the enforcement of intrastate safety measures, and yet no money for implementing its enforcement. Since we believe that, given the opportunity, the Hazardous Liquid Program could be equally as effective as the Natural Gas Pipeline Safety Program, NARUC is requesting a million dollars in startup funding for fiscal 1986 for this program.

The NARUC respectfully urges the subcommittee to encourage Federal-State cooperation in attaining a safe America in fiscal year 1986 by reauthorizing the Natural Gas and the Hazardous Liquid Pipelines Safety Grants-in-Aid Program at levels of funding which will enable the programs to fully attain their safety objectives.

Thank you.

Senator PACKWOOD. Mr. Checkley, this has by and large, been not only a good program but a reasonably good example of State and Federal harmony, and it has worked out in the way I wish many other programs had worked out. It has worked out very well. It is almost exemplary.

We are going to be faced, however, with the likelihood of freezing most of the Federal programs that exist this year, cutting back some and eliminating, plain eliminating, some others. Of course, everybody has got a list of programs to be eliminated, none of which include theirs. It does not matter who you ask, there is almost always a different pea under the shell depending upon who is moving the shells around.

Given the fact of our budget constraints and what we are going to do to some programs that have great champions, what is the justification for an increase in this program in comparison to other programs that we are freezing? What makes this one so unique that it justifies an increase, whereas others programs that others would say are unique are not going to get it?

Mr. CHECKLEY. Well, Mr. Chairman, safety is a program which should not be compromised to the extent that some other programs could be, since it involves the life and the health of individuals in this country. So it is on that basis that we request additional funding.

We believe that with additional funding and greater activity in the field in inspecting the various operators, that the safety record which is exemplary could be improved.

Senator PACKWOOD. You know what is going to happen, and I hate to think this, but the record is so good that we think we can get along with a freeze, and one of these days we will have a really tragic accident of some kind that might have been avoided by proper inspection, or an additional $500,000 or $1 million, and then there will be all kinds of recriminations and investigations as to why this money was not appropriated. That is an unfortunate cycle in Government, but I can foresee that happening.

I do not have any other questions. Let me congratulate you for all of the work that you have done, not just in Maryland but

throughout the country in helping on this program. It has been a great source of satisfaction to us, and you are well known for that work.

Mr. CHECKLEY. Thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

Mr. Chairman and distinguished members of the Subcommittee:

I. INTRODUCTION

My name is Wilfred Checkley and I am a Safety Engineer with the Maryland Public Service Commission. I am testifying today on behalf of the National Association of regulatory Utility Commissioners (commonly referred to as the NARUC). Accompanying me today from the NARUC are Paul Rodgers, General Counsel; Jill L. Rowe, Director of Congressional Relations; and Karen Lee Hochstein, Assistant Director of Congressional Relations.

The NARUC is a quasi-governmental, nonprofit organization founded in 1889. Within our membership are the governmental agencies of the fifty States and the District of columbia, Puerto Rico and the Virgin Islands engaged in the regulation of utilities and carriers. Our chief objective is to serve the consumer interest by seeking to improve the quality and effectiveness of public regulation in America. As part of that objective, many of the NARUC's member agencies are current or potential participants in the Natural Gas and Hazardous Liquid Pipeline Safety Programs.

We greatly appreciate your invitation to testify on these programs. I would like to begin by emphasizing the importance of the two pipeline safety programs which provide for the implementation of Federally-mandated standards to improve our Nation's pipeline safety. In order to achieve that essential public goal, the programs rely heavily upon a vigorous Federal-State partnership whereby the States voluntarily enforce the Federal safety regulations. Recognizing the valuable contribution that these programs make to pipeline safety, the NARUC is vitally concerned with the future of the Natural Gas and Hazardous Liquid Pipeline Safety Programs, which are administered through the Department of Transportation's [DOT's] Research and Special Program Administration [RSPA].

With a strong committment to pipeline safety, the NARUC in 1982 established a Staff Subcommittee on Pipeline Safety under the Assoication's Committee on Gas. This staff subcommittee, chaired by Mr. Walter J. Hernandez of the California State Fire Marshal's Office, has been working very hard with the States, the Congress, and the Administration to determine problems in pipeline safety and find ways to improve the safety effort.

During a meeting of the Staff Subcommittee on June 18, 1984 in Colorado Springs, Colorado, the Subcommittee formed six standing task groups in an effort to ensure that the proper attention is given to the various pipeline safety issues being addressed in Washington, D.C. and around the nation. The six task groups are as follows: (1) U.S. Legislative Task Group to provide backup information and standby personnel to assist the NARUC in its work with Congress on pipeline safety; (2) Liquid Rulemaking Task Group to monitor and review "Notices of Proposed Rulemaking" regarding liquid pipeline safety regulations; (3) Gas Rulemaking Task Group to monitor and review "Notices of Proposed Rulemaking" regarding gas pipeline safety regulations; (4) ASME/GPTC Liaison Task Group to maintain a regulatory liaison with the Gas Piping Technology Committee of the American Society of Mechanical Engineers regarding code guide material issued by the ASME/GPTC; (5) NTSB Report Review Task Group to review and make recommendations to the NARUC Subcommittee on the National Transportation Safety Board's reports after they are published; and (6) Technical Publications Task Group to review and make recommendations to the NARUC Subcommittee of all current NARUC publications regarding pipeline safety.

In addition, the NARUC has representation on the Technical Gas and Hazardous Liquid Pipeline Safety Standards Committees formed under the Department of Transportation in accordance with law. The technical committees are composed of safety experts from industry, State and Federal regulation, and the public sector, who meet to review and make recommendations on proposed regulatory changes concerning pipeline safety. Such Federal/State cooperation is the basis for the natural gas and hazardous liquid pipeline safety grants-in-aid programs.

The appeal of these programs, in addition to their obvious value in protecting public safety, lies in the fact that they encourage the States to contribute their own funding and manpower to assist the Federal government in fulfilling its various pipeline safety responsibilities. Federal grants-in-aid are provided to participating States on a matching basis of up to 50 percent of the States' total program costs. As a result, these national safety programs can be carried out at only a fraction of the Federal funding level that would otherwise be required.

Utilizing State resources to implement Federal safety standards reduces the need for a large Federal field staff. In addition, the Federal government gains the benefit of State expertise when enforcement responsibilities are carried out by officials best able to assess the unique requirements of a particular locality.

The overwhelming success of the natural gas pipeline program in reducing the number of accidents demonstrates the important contribution that such a program can make to Federal safety efforts. Believing in this immeasurable benefits derived from these Federal-State partnerships created for pipeline safety, the NARUC strongly supports reauthorization and increased funding for these programs. We respectfully urge the Subcommittee to encourage Federal-State cooperation in attaining a safer America in Fiscal Year [FY] 1986 by approving the reauthorization of the RSPA's Natural Gas and Hazardous Liquid Pipeline Safety Grants-In-Aid Programs at $7,138,662.00 and $1,000,000.00 respectively.

II. NATURAL GAS PIPELINE SAFETY GRANTS-IN-AID PROGRAMS

Since its enactment in 1968, the Natural Gas Pipeline Safety Grants-In-Aid Program [1] has proved to be a model of Federal-State cooperation in its efficient implementation of gas pipeline safety standards. As administered through the RSPA, the pipeline safety program provides up to 50 percent in matching funds to assist participating States in enforcing gas pipeline safety regulations. While the Federal-State partnership in this program has worked effectively, funding in the past has been insufficient to provide the full 50 percent matching funds authorized by law. The NARUC strongly believes that full 50 percent funding is important to the programs continued success, especially since the number of Federal safety standards violations discovered by State inspectors has continued to increase.

In 1984, 47 States, the District of Columbia and Puerto Rico participated in this program and in 1985, 46 States, the District of Columbia and Puerto Rico are participating.[2] While the high level of State participation has continued, the funding needs have changed. In 1983 the States' requests for grants totaled $5,742,140, in 1984 the request was $6,242,934, and for 1985 the request is $7,138,662.

Congress raised the appropriations for FY 1985 one million above the $3.5 million that was appropriated for FY 1983 and 1984. However, the monies still fall short of 50 percent matching funds. This year only twenty-six States are receiving the full 50 percent of their safety program costs.[3] Whithout full matching funds, the gas pipeline safety program will suffer.

Federal funds allocated to this program have been put to effective use, permitting many States to establish and perfect State-level pipeline safety activities, as well as to finance personnel training, salary and equipment expenses. The States further demonstrate their commitment to this program by contributing over 50 percent of the national safety inspection effort. However, the safety risks which this program is designed to minimize are substantial. Gas and hazardous liquid pipelines in the United States total approximately one and three-quarter million miles and transport more than half of the nation's energy supply. These pipelines carry large quantities of extremely volatile substances, often under high pressure, and expose large segments of the population to risks of potentially catastrophic proportions.

In 1983, despite Federal-State inspection efforts, there were 1,580 gas pipeline failures, resulting in 12 fatalities and 245 injuries. In 1984, while the natural gas pipeline accidents were somewhat down to 1,071 and the injuries to 239, there was an increase in fatalities to 35. What is particularly important to remember in looking at any of the DOT's statistics on the number of gas pipeline accidents and casualties reported is that the dollar figure threshold for accident reporting has been raised. Under a final rule of the DOT released in May 1984, operators must report incidents with losses of $50,000 or more; whereas, the reportable incident figure before July 1, 1984, the date new incident reporting forms should begin to be used, was

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[1] 49 U.S.C. 1671.

[2] See Appendix A for a list of participating States (Idaho lost its inspectors and had to drop out of the program).

[3] See Appendix A.

$5,000 or more.[4] This means that fewer accident reports are being received by the DOT, and therefore, it is erroneous to conclude that accidents are down.

It is also important to remember that the State inspectors are in the business of preventing accidents, not just addressing a problem after the fact. As proof of the States' efforts to prevent accidents, State inspectors found 17,809 violations of Federal safety standards in 1984. The 1984 number of discovered violations was 1,309 above the 16,500 safety standard violations found in 1983.

What the NARUC and its member State commissions wish to impress upon the members of the Subcommittee today is that while we have seen many positive results from the Federal/State gas safety program, the program still has a lot of work ahead as long as safety violations continue to rise. With full 50 percent matching funds, perhaps we can begin to see the number of Federal safety standard violations decline and a corresponding dramatic decrease in the number of fatalities and injuries. Safety is not an area for trimmining the budget.

The natural gas pipeline safety program is working and is an excellent example of the ability of the Federal and State governments to cooperate in protecting the public health and safety. The continued overwhelming State participation (all but three States) indicates the States' belief in the program's effectiveness. We urge the members of the Subcommittee to support the States' safety efforts by reauthorizing the Natural Gas Pipeline Safety Grants-In-Aid Program at $7,138,662.

III. HAZARDOUS LIQUID PIPELINE SAFETY GRANTS-IN-AID PROGRAM

The hazardous liquid pipeline safety program is another Federal-State partnership whereby Federal grants-in-aid are authorized to be provided to participating States for enforcing instrastate liquid pipeline safety, However, the program is in its fifth year and funds have never been appropriated. The success of the natural gas pipeline safety program is a strong indicator that the hazardous liquid pipeline safety program could be equally as beneficial if given the opportunity. The States need the reauthorization of this program so that they may continue their efforts to secure Federal funding. The States are ready and willing to make this program work once they have the proper authorizatin and appropriations.

Presently, 17 States have proper jurisdication for program eligibility through legislation and 6 States are seeking legislation to provide them with jurisdiction.[5] If this safety program is to become a reality, funds must be appropriated; however, once again the budget request for FY 1986 does not include funding for the hazardous liquid pipeline safety program. Like the Natural Gas Pipeline Safety program, the hazardous liquid program would assist the Federal government in fulfilling its safety responsibilities and at the same it would reduce the Federal funding level that would otherwise be required.

The NARUC has continued to seek funding for this program. In 1983 and 1984, the NARUC requested that $1 million in startup funds be provided for the implementation of the hazardous liquid pipeline safety program; however, no funds were appropriated. Without funding the States are unlikely to pick up the program.

On March 26, 1984, the Research and Special Programs Administration of the DOT issued a Notice of Proposed Rulemaking concerning extending the applicability of hazardous liquid pipeline regulations to intrastate pipelines.[6] The final rulemaking for intrastate hazardous liquid pipeline regulation is expected to be printed in the Federal Register soon. However, we understand that the effective date of the regulations will be 180 days from publication. This time frame indicates that by 1986, Federal minimum standards for intrastate hazardous liquid pipelines will be in place and agreements between the DOT and the States will be signed whereby the States agree to adopt the Federal safety standards for the regulation of intrastate pipelines carrying hazardous liquids.

However, without funding the States will be left with Federal regulations for the enforcement of intrastate safety measures and yet no money for implementing this enforcement. It is apparent that the States have an interest in this program and will soon have the regulations available to make it work. With the proper reauthorization and funding, the hazardous liquid pipeline safety program could play a vital role in pipeline safety.

The DOT reports that in 1984 there were no fatalities and 19 injuries caused by 203 hazardous liquid pipeline accidents. However, two points should be made about these numbers. First, 19 injuries is the second highest number of injuries reported

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[4] 49 Fed. Reg. 18956 (May 3, 1984).
[5] See Appendix B for a list of these States.
[6] 49 Fed. Reg. 11226 (March 26, 1984).

in the period from 1974 to 1984 (only 1981 was higher with 32 injuries); and secondly, there is no reporting requirement at this time for intrastate hazardous liquid pipelines. The statistics are from records on interstate hazardous liquid pipeline accidents, and while there were no fatalities, the number of injuries has increased. The NARUC and its member agencies are just as concerned with preventing and responding to accidents and injuries that had the potential for being fatal.

We strongly urge the Congress to help the State safety inspectors untie their hands for intrastate hazardous liquid pipelines by reauthorizing the Hazardous Liquid Pipeline Safety Grants-In-Aid Program at $1 million.

IV. MERGING THE GAS AND HAZARDOUS LIQUID PIPELINE SAFETY PROGRAMS

A working group within the NARUC Staff Subcommittee on Pipeline Safety is currently studying the idea of merging the two grants-in-aid programs, therefore our response today on this idea is conditional upon findings the working group might make in its future report to the NARUC Staff Subcommittee. We anticipate the working group's report to be ready in June of this year.

The State commissions could possibly support a merger of the Natural Gas and Hazardous Liquid Pipeline Safety Grants-In-Aid Programs as long as additional money was appropriated to support the hazardous liquid program. Unfortunately, as we understand the concept at present, there would be no additional funding for the merged programs.

While the advantage of a merger might be greater flexibility for the States in administering the programs, the great disadvantage would be a major setback for the gas pipeline safety program. The NARUC does not want to see the State commissions in the position of having to dilute their natural gas programs which have not even reached their needed 50 percent Federal funding. The objective is to improve pipeline safety by having two strong and efficient programs (gas and hazardous liquid), not to have two mediocre programs. As we pointed out earlier, the number of violations of Federal safety standards discovered is increasing with respect to gas pipeline. This is not the time to cut-back on the gas pipeline safety program.

V. USER FEES

With Federal budget constraints continuing to affect Federal funding for the grants-in-aid pipeline safety program, we believe that the time is right to begin examining alternate funding mechanisms for the two safety programs. however, we cannot take a position at this time with respect to the idea of funding part of the State and Federal safety efforts through user fees, as the NARUC Staff Subcommittee on Pipeline Safety has appointed a working group to review this concept. We also anticipate having that working groups' findings available to submit to Congress in June.

VI. GAO REPORT ON PIPELINE SAFETY

The NARUC has not responded directly to the July 10, 1984 GAO Report which stated that improvements are needed in the pipeline safety program. However, the NARUC is represented on the DOT Technical Gas and Liquid Pipeline Safety Standards Committees which are jointly preparing a response to the GAO Report. In addition, the NARUC Staff Subcommittee on Pipeline Safety has been evaluating the report. The NARUC would be glad to attempt to answer any questions concerning the report or have our Staff Subcommittee submit additional comments for the record.

CONCLUSION

Mr. Chairman and members of the Subcommittee, our testimony today has emphasized the important roles which the States can and should play in the implementation of national safety policy. The NARUC firmly believes that true Federal/State partnerships, whereby the States enforce Federal safety standards through the Natural Gas and Hazardous Liquid Pipeline Safety Grants-In-Aid Program, will ensure the effectiveness of a comprehensive safety policy for the transportation of natural gas and hazardous liquids. With sufficient funding, we believe that the programs can fully attain their objectives.

APPENDIX A—1985 PIPELINE SAFETY GRANT ALLOCATIONS

State and Grant No.-Dot-GB	Request	Allocation	Percent of funding
AL—50001	$301,479	$142,216	23
AZ—50002	315,395	140,202	22
AR—50003	71,857	71,857	50
CA—50004	262,500	111,989	21
CO—50005	71,655	71,655	50
CT—50006	61,500	61,500	50
DE—50007	10,520	10,520	50
FL—50008	46,086	46,086	50
GA—50009	101,500	89,950	44
HI—50010	12,500	12,500	50
IL—50011	173,870	130,913	37
IN—50012	69,925	69,925	50
IA—50013	68,900	68,900	50
KS—50014	105,449	98,381	46
KY—50015	198,923	118,484	29
LA—50016	451,846	172,887	19
ME—50017	13,375	13,375	50
MD—50018	33,967	33,967	50
MA—50019	118,440	89,242	37
MI—50020	96,147	96,147	50
MN—50021	93,868	93,868	50
MS—50022	99,757	99,757	50
MO—50023	123,512	106,643	43
MT—50024	44,220	44,220	50
NE—50025	57,710	57,710	50
NV—50026	26,739	26,739	50
NH—50027	33,185	33,185	50
NJ—50028	165,215	110,907	33
NM—50029	118,850	116,875	49
NY—50030	980,055	334,680	17
NC—50031	107,221	107,221	50
ND—50032	18,909	18,909	50
OH—50033	177,815	127,734	35
OK—50034	105,585	100,184	47
OR—50035	49,187	49,187	50
PA—50036	205,660	117,411	28
RI—50037	58,358	58,358	50
TN—50038	132,440	121,555	45
TX—50039	1,255,579	430,108	17
UT—50040	40,370	40,370	50
VT—50041	30,435	30,435	50
VA—50042	88,997	82,500	46
WA—50043	44,150	44,150	50
WV—50044	136,475	122,623	44
WI—50045	131,094	112,169	42
WY—50046	124,846	109,210	43
DO—50047	81,121	81,121	50
PR—50048	21,475	21,475	50
Total	7,138,662	4,450,000	31

Note: The request represents 50 percent of the State's estimated budget. The percent of funding is the percentage of the budget represented by the allocation.

APPENDIX B—HAZARDOUS LIQUID PIPELINE SAFETY PROGRAM—SUMMARY

States with Jurisdiction (17)	States Seeking Jurisdiction (6)
Texas	Louisiana
California	Oklahoma
Wyoming	Mississippi
Pennsylvania	Alabama

APPENDIX B—HAZARDOUS LIQUID PIPELINE SAFETY PROGRAM—SUMMARY—Continued

States with Jurisdiction (17)	States Seeking Jurisdiction (6)
Kansas	Washington
New Mexico	Wisconsin
Montana	
Ohio	
North Dakota	
Arkansas	
Arizona	
New York	
Iowa	
Nevada	
Hawaii	
West Virginia	
Oregon	

Senator PACKWOOD. Now if we could have a pipeline panel of Mr. Jerome McGrath, the president of the Interstate Natural Gas Association of America; Mr. Brian Elliott, the vice president of engineering and supply for Northern Illinois Gas; and Mr. Patrick Corcoran, the executive director of the Association of Oil Pipe Lines.

Mr. McGrath, why do you not go first.

STATEMENTS OF JEROME J. McGRATH, PRESIDENT, INTERSTATE NATURAL GAS ASSOCIATION OF AMERICA; SAL BELLASSAI, VICE PRESIDENT OF ENGINEERING FOR TRANSCONTINENTAL GAS PIPELINE CORP.; BRIAN C. ELLIOTT, VICE PRESIDENT OF ENGINEERING AND SUPPLY, NORTHERN ILLINOIS GAS CO., AND CHAIRMAN, AMERICAN GAS ASSOCIATION COORDINATING GROUP FOR PIPELINE SAFETY; AND PATRICK CORCORAN, EXECUTIVE DIRECTOR, ASSOCIATION OF OIL PIPE LINES, ACCOMPANIED BY KENNETH LEONARD, TRANSPORTATION DIRECTOR, AMERICAN PETROLEUM INSTITUTE

Mr. MCGRATH. Thank you, Mr. Chairman. I am Jerome McGrath, president of Interstate Natural Gas Association of America. I am accompanied by Mr. Sal Bellassai, vice president of engineering for Transcontinental Gas Pipeline Corp., and also a member of INGAA's pipeline safety committee.

We appear here today on behalf of INGAA's member companies, Mr. Chairman, to express our views on reauthorization as well as other aspects of the Natural Gas Pipeline Safety Act of 1968.

INGAA is a nonprofit national trade association representing virtually all of the major interstate natural gas transmission companies operating in the United States. Our companies move natural gas from the producing areas to distributors across the Nation who in turn sell the gas to the ultimate consumer.

Approximately 90 percent of the natural gas transported and sold annually in interstate commerce flows through the more than 200,000 miles of pipeline owned and operated by INGAA's member companies. They are subject to the design, construction, operation, and maintenance safety standards for natural gas transmission lines prescribed in title 49 of the Code of Federal Regulations, part 192, issued by the Secretary of Transportation.

INGAA believes the act currently provides a more than adequate framework for regulating pipeline safety, and in our opinion the Department of Transportation has done a satisfactory job of implementing it to date. The safety record of our industry is excellent and generally acknowledged.

The National Transportation Safety Board in its most recent annual analysis of transportation fatalities has again found that transportation by pipelines is the safest mode of transportation available.

Mr. Chairman, I would like to call your attention to the pie chart attached to our testimony where you will find in the corner there a very miniscule bar showing the fatalities in pipeline transportation.

While our primary concern of course is the protection of human life and property, interruptions in service, loss of natural gas, damage to facilities, cost of repairs and the like are also highly undesirable. One can easily see that it is in the best business interest of the industry to protect the health and welfare of the public through safe, reliable, cost-effective service.

I am pleased to report that there has been a downward trend in the total number of pipeline failures over the past 5 years. However, it is important to note, as you observed a moment ago, that nearly two-thirds of these failures are caused by outside-force damage, a percentage that has remained fairly constant over the years. This is referred to as third-party damage from outside force.

One of the more successful means of protecting against third-party damage has been the establishment of one-call systems throughout much of the country. Regrettably, many localities have not yet installed such a system, and even in those that have the builders or contractors too often fail to use it.

Our members have been working with local and State governments and with other utilities to improve the system and make it more effective, and to try to make it offset this activity. In addition, pipeline operators systematically patrol their lines by air and, where feasible or necessary, by motor vehicle and on foot.

We also support ongoing pipeline research on safety. We have a pipeline research committee that is funded by the pipelines doing direct and basic developmental and applied research aimed at optimizing technical aspects of the natural gas transmission industry. Over $3 million per year has been devoted to safety related research covering such areas as improved pipeline welding, nondestructive testing of pipelines, detection and prevention of pipeline corrosion, measurement of stress, metallurgical factors affecting the pipeline performance.

Mr. Chairman, we believe, as I said earlier, that the system is working, and we support the reauthorization of the Department of Transportation.

[The statement follows:]

STATEMENT OF JEROME J. MCGRATH, PRESIDENT, INTERSTATE NATURAL GAS ASSOCIATION OF AMERICA

Mr. Chairman and members of the committee, I am Jerome J. McGrath, President of Interstate Natural Gas Association of America (INGAA). I am accompanied by Mr. Sal Bellassai, Vice President of Engineering, Transcontinental Gas Pipe Line

Corporation and also a member of INGAA's Pipeline Safety Committee. We appear here today on behalf of INGAA's member companies to express our views on reauthorization as well as other aspects of the Natural Gas Pipeline Safety Act of 1968. INGAA is a non-profit national trade association representing virtually all of the major interstate natural gas transmission companies operating in the United States. Our companies move natural gas from the producing areas to distributors across the nation who, in turn, sell the gas to the ultimate consumer.

Approximately, 90 percent of the natural gas transported and sold annually in interstate commerce flows through the more than 200,000 miles of pipeline owned and operated by INGAA's member companies. They are subject to the design, construction, operation and maintenance safety standards for natural gas transmission lines prescribed in Title 49 of the Code of Federal Regulations, Part 192 issued by the Secretary of Transportation under authority of the Natural Gas Pipeline Safety Act of 1968, as amended (49 U.S.C. 1671 *et seq.*)

INGAA believes the Pipeline Safety Act currently provides a more than adequate framework for regulating pipeline safety and, in our opinion, the Department of Transportation has done a satisfactory job of implementing it to date. The safety record of our industry is excellent and generally acknowledged. The National Transportation Safety Board in its most recent annual analysis of transportation fatalities has again found that transportation by pipelines is the safest mode of transportation available. We believe that one death is one too many. However, when considering the low incidence of fatalities on the more than one and a half million miles of gas transmission, distribution, gathering and service pipelines in the United States that supply one quarter of our Nation's energy, the conclusion is inescapable that pipelines are indeed the safest mode of transportation. I can assure you we intend to keep it that way.

In addition to satisfying the mandates of the Pipeline Safety Act, the pipeline industry has a very strong incentive to construct, operate, and maintain its pipelines in a safe manner. While our primary concern, of course, is the protection of human life and property, interruptions in service, loss of natural gas, damage to facilities, costly repairs and the like are also highly undesirable. One can easily see that it is in the best business interests of the industry to protect the health and welfare of the public through safe, reliable, cost effective service.

While there has been no discernable pattern to the annual number of fatalities, there has been a downward trend in the total number of pipeline failures over the past five years. It is important to note that nearly two-thirds of the failures have been caused by outside force damage, a percentage that has remained fairly constant over the years. This is generally referred to as third-party damage; that is, caused by someone or something outside the control of the pipeline owner or operator. A very common example is a pipeline being struck by a bulldozer during a construction project of some sort—excavation for a new building or sewer line. Obviously, our industry has a significant stake in trying to reduce that percentage. One of the more successful means of protecting against third party damage has been the establishment of one-call systems throughout much of the country.

Like other utilities with underground lines, interstate gas transmission companies register the location of their pipelines with the local one-call center, which frequently computerizes the information. When a developer wants to excavate large stretches of ground, he checks with the local one-call center, if one has been established in his area, which in turn alerts those utilities with lines in the area. Pipelines send safety inspectors out to mark the location of their pipelines to help prevent the builder from rupturing a gas line during excavation. Regrettably, many localities have not yet installed such a system and even in those that have, builders too often fail to use it. Our members have been working with local and state governments and with other utilities and contractor groups to expand the system and make it more effective.

Pipeline companies also conduct extensive public information programs to alert the public to the importance of pinpointing pipeline locations before digging near any right-of-way. In addition, pipeline operators systematically patrol their lines by air and, where feasible or necessary, by motor vehicle and on foot.

As additional evidence of our industry's strong commitment to safety, we also support an on-going safety related research program. Our members not only fund research within their own companies, but they also contribute to the Pipeline Research Committee (PRC), an industry group formed to sponsor and direct basic, developmental, and applied research aimed at optimizing technical aspects of the natural gas transmission industry. In 1983 and 1984, $3 million and $3.2 million respectively, was spent by the PRC on safety related research, covering such areas as improved pipeline welding, nondestructive testing of pipelines, detection and preven-

tion of pipeline corrosion, measurement of stress, and metallurgical factors affecting line pipe performance. The 1985 PRC budget contains $3.4 million for continuing research in these areas. In addition, the Gas Research Institute [GRI], a broader research group engages in safety related research oriented more toward the distributor segment of the business. The GRI spent $3.4 million in 1983 and $4.2 million in 1984 and has programmed $4.3 million in 1985 for such research. Its research includes liquefied natual gas (LNG) storage, leak detection and repair, odorant management, evaluation and improvement of plastic piping materials, assessment of excess flow control valves, improved effectiveness of cathodic protection, and improved excavation methods. GRI has received some cofunding in the LNG storage area from the Departments of Energy and Transportation and over $1.0 million a year directly from industry, primarily for leak detection and LNG storage.

Pursuant to an amendment attached to last year's reauthorization legislation by Representative Michael G. Oxley, our members are now completing and submitting to DOT a survey of all their pipelines which were constructed before 1940. From the reports of those who have completed their surveys, operational pipelines were found to be in a safe condition. Pending final results of the survey in early April, it appears that the pre-1940 pipelines are as operationally safe as the pipelines constructed since then.

Since this hearing addresses reauthorization of the Pipeline Safety Act and funding levels for the Department of Transportation to manage the federal pipeline safety program, I believe the DOT is better equipped than we are to address the adequacy of funding for DOT management and the State grant-in-aid program. What is apparent to us, Mr. Chairman, is that the Federal-State cooperative program and management of it by DOT is working. INGAA strongly supports continuation of this partnership. However, we think some improvements may be made by setting some basic evaluation criteria to encourage the States to improve their programs and by establishing a requirement for all Federal and State inspectors to attend a comprehensive training program at the Transportation Safety Institute. This would improve the uniformity of enforcement for the pipeline operator.

In the area of DOT management of the program, we have seen greatly improved utilization of the two technical pipeline safety standards committees (gas and hazardous liquids). They are now more actively involved in reviewing proposed regulatory changes throughout the rulemaking process. In addition, within the past six months, the committees have met twice in joint session to assist DOT in an overall evaluation of the pipeline safety program. This had not been done before and we see this as an important step forward in utilizing the varied expertise and experience of the members of those committees to improve management of the program.

We understand a question has come up on "user fees". INGAA believes such a fee is unnecessary and inappropriate. In our view, such a fee amounts to a special tax on the pipeline industry and the consumers it serves. We do not believe this is an appropriate method of funding the federal pipeline safety program, since the primary objective of the program is for the general public safety—users and non-users of gas alike. We see no reason why gas consumers must bear the cost of such a safety program—anymore than particular groups or industries should be specially assessed for fire or police protection.

The pipeline industry remains dedicated to providing a safe service to the public. The safety record of the interstate natural gas pipelines offers prima facie evidence that the current level of regulation of pipeline operations effectively ensure this safe service. The reauthorization under review here today should allow the Department of Transportation and the States to continue to provide the enforcement authority that has proven effective to date.

That concludes our presentation, Mr. Chairman. We thank you for the opportunity to submit the views of our membership upon this subject. We would be pleased to answer any questions the Committee may have.

Senator PACKWOOD. Thank you. Mr. Elliott.

Mr. ELLIOTT. Mr. Chairman, my name is Brian Elliott. I am a vice president of the Northern Illinois Gas Co. I also serve as chairman of the American Gas Association's Coordinating Group for Pipeline Safety. It is in this capacity that I would like to present these comments today.

AGA is a national trade association with approximately 300 natural gas companies as members. The members come from all segments of the industry—local distribution companies, interstate and

intrastate pipeline companies—and therefore we feel AGA is in a position to give the members of the subcommittee an industry perspective on the NGPSA reauthorization.

AGA's basic position is that the reauthorization of the present law would permit continued effective enforcement of the NGPSA which has been providing and will continue to provide maximum public safety at a reasonable cost to the public. I will not go into the areas that Mr. McGrath covered regarding the NTSB report or the downward trending of pipeline fatalities and injuries.

I would like to say that AGA believes the excellent safety record of the industry speaks for itself. Each company has incentives, both economic and public image, to maintain a safe system and to continue to operate safely. Greater regulation would not necessarily increase public safety. However, potentially it would increase cost to the public.

Regarding the GAO report, in AGA's opinion the report falls short in some areas. The report does not address the objectives of the statute, nor of the various pipeline safety programs. It does not recognize the downward trending pipeline-related injuries and fatalities. The report focuses too much on methodology and not enough on results.

We feel the report is incorrect in its assessment that the DOT has not provided adequate inspection coverage of pipelines, and the report does not offer any evidence to indicate that increased inspection would in fact increase safety. Further inspection of a responsible operator is not likely to produce safer practices. However, reallocation of the inspection effort may reduce incidents, if you reallocate to an operator that shows a need for some improvement.

On the issue of user fees, AGA opposes the concept of user fees primarily because we feel the brunt of the cost of regulation should be borne by those who benefit from them. In this case, that is the general public. Since we have not seen specific proposals, we cannot quantify the cost nor the impact of user fees, but we feel it would be inappropriate for the gas consumer to bear the burden of a program that benefits the public at large.

We believe the current pipeline safety programs have worked well and that reauthorization of the NGPSA would continue to allow us to operate a safe industry.

Thank you for your time.

[The statement follows:]

STATEMENT OF BRIAN ELLIOTT, VICE PRESIDENT, NORTHERN ILLINOIS GAS CO., ON BEHALF OF THE AMERICAN GAS ASSOCIATION

Mr. Chairman and members of the subcommittee, The American Gas Association [A.G.A.] is a national trade association composed of nearly 300 natural gas distribution, interstate, and intrastate transmission companies in all 50 States. Collectively, A.G.A. member companies account for about 85 percent of the Nation's total annual gas utility sales.

A.G.A. is pleased to present its views on reauthorization of the Natural Gas Pipeline Safety Act of 1968 [NGPSA], as amended. As the members of this Subcommittee know, the present law authorizes the operation of the safety program for the transportation of natural gas. It also administers the grant-in-aid program for States that assist the Materials Transportation Bureau [MTB] in the enforcement of the NGPSA. A.G.A.'s position on NGPSA reauthorization is clear: Reauthorization of the present law would permit continued effective enforcement of the NGPSA, which has in the past provided maximum public safety at a reasonable cost to the public.

A.G.A. understands that the Subcommittee is looking at various proposals for revamping the pipeline safety program. Today's testimony will give the Subcommittee A.G.A.'s views on the following points:

(1) The overall effectiveness of the pipeline safety program at the Department of Transportation (DOT).

(2) How well the State-Federal effort actually works in practice.

(3) The proposed merger of the grants-in-aid programs authorized by the NGPSA and the Hazardous Liquid Pipeline Safety Act.

(4) The GAO report and DOT's response to that report.

(5) The reporting requirement added in last year's NGPSA reauthorization.

(6) The concept of "user fees" and how in practice this concept would be burdensome to the natural gas consumer.

(7) One statutory change needs to be made in the NGPSA.

A.G.A. respectfully submits that the pipeline safety program as implemented today effectively serves the original Congressional intent of providing the safest gas pipeline service that is possible within the limits of economic realities.

THE NATURAL GAS PIPELINE SAFETY PROGRAM: ADEQUATE AND EFFECTIVE

Under the present regulations, natural gas pipelines are subject to the design, construction, operation, and maintenance safety standards prescribed in Title 49 of the Code of Federal REgulations, Part 192. These regulations are enforced by the MTB under the authority of the NGPSA (49 U.S.C. Section 1671 et. seq.) Part 192 applies adequate safety standards for operation and maintenance of the one and one-half million-mile natural gas pipeline system currently in place.

The fact that pipelines meticulously conform to the safety requirements of Part 192 is confirmed by A.G.A. data that indicate that the incidence of lost workdays and fatalities of pipeline employees is very low. Furthermore, according to the National Safety Council (NSC), for 1983, accidents which caused days away from work or fatalities in the pipeline transportation indsutry were 0.92 per 100 full-time employees. This accident rate is lower than for any other transportation industry and compares favorably, for example, with local and suburban transit (7.96 per 100 employees) and trucking (5.78 per 100 employees). The pipeline transportation accident rate is also lower than the total indsutry average for all other industries reported by the NSC. Those other industries are mining (1.47 per 100 employees); construction (3.88 per 100 employees); manufacturing (1.67 per 100 employees); wholesale and retail trade (1.75 per 100 employees) and services (2.86 per 100 employees).

These figures are evidence of the safety of natural gas transmission and distribution operations. The safety efforts of pipeline operators become even clearer when one considers that 61 percent of all gas pipeline incidents were caused by outside force damage, not by pipeline operations. Therefore regulatory changes in the NGPSA would impact less than 40 percent of all pipeline incidents.

The National Transportation Safety Board (NTSB), in its annual analysis of transportation fatalities for 1983, found that fatalities involving gas pipeline transportation represented only a miniscule percentage of those involved in virtually any other category of transportation. While one fatality is too many, the 10 pipeline accident fatalities are much lower than fatalities suffered in the areas of aviation (1,155), marine activities (1,322), railroads (547), and highways (42,500). We believe that the NTSB analysis leads to the inexorable conclusion that pipeline transportation is the safest mode of transportation available.

A.G.A. believes that the excellent safety record of pipeline transportation proves that pipelines are dedicated to providing safe service to the public. Furthermore, this safety record offers prima facie evidence that the current level of regulaiton of pipeline operations effectively ensures this safe service. Greater regulation would simply burden the industry, with no increase in safety, but with a concomitant increase in the costs to the consumer. The authorization under discussion here should allow MTB and the States to continue to provide the enforcement authority that has traditionally been effective in providing safe operations.

A.G.A. also believes that adequate testing and inspection requirements are already in place. There are 12 different sections of 49 CFR Part 192 which, including subsection requirements, total 19 specific regulations requiring testing and inspection of pipelines and pipeline facilities at varying, though limited, time intervals. The maximum time interval for all but one of these inspection requirements is at least once each year, but with intervals not exceeding 15 months. Many companies inspect their facilities more frequently. The one exception to the above time requirement is that for "Leakage surveys of the distribution system outside the principal business area (which) must be made as frequently as necessary, but at intervals not

exceeding five years" (49 CFR Part 192.723(b)(2)). A.G.A. believes the present inspection requirements are adequate and effective, as the industry's safety record shows. Our views are supported by the Administrator of the Research and Special Programs Administration [RSPA], M. Cynthia Douglass. In a March 12, 1985 letter to Rep. Phil Sharp, Adminstrator Douglass remarked on the "good safety record" of the pipeline industry. Therefore, A.G.A. does not believe that any increase in inspection requirements would lead to increases in safety.

A.G.A. supports the Federal-State partnership idea for enhancing safety in the natural gas transportation system. The experience of our members is that the safety program would be unworkable without the voluntary support and assistance of the State governments. It is important to the success of subsequent safety legislation that the States continue to take a major role in the pipeline safety program, and the Federal Government should: (1) create the proper incentives to keep the States involved in the program; and (2) encourage the States that are not involved to get involved. Only in this way can the gas industry as a whole work under a uniform set of regulations, while allowing States to maintain autonomy in this area.

A.G.A.'S VIEWS ON NEW LEAK REPORTING REQUIREMENTS

Committee Staff requested us to discuss our views on the so called "Oxley" amendment, included in last year's NGPSA reauthorization (P.L. 98-464, Sec. 6). This amendment requires interstate transmission companies to file a report with DOT identifying the location and condition of all pre-1940 pipe. The Secretary of DOT is then required to identify and inspect pipelines which may be hazardous to life and property. This amendment passed both Houses of Congress without a hearing, and before members of the public had an opportunity to speak on the drawbacks of the amendment.

Considering the regulations and incentives that are already in existence that work toward a pipeline's maximizing efforts to detect and repair leaks and other hazardous conditions, and the industry's demonstrated commitment to pipeline safety, A.G.A. believes that this amendment duplicates other efforts to increase pipeline safety.

MERGING OF LIQUID AND GAS PIPELINES

A.G.A. does not believe that a merger of the State grants-in-aid programs for the liquid and gas pipelines would be in the best interest of pipeline safety.

The safety aspects of the two types of pipelines are not the same. For example, in case of leakage, liquid "puddles" out and can be a hazard after the leak is repaired, whereas gas dissipates and ceases to be a problem once the leak is taken care of. The safety precautions that must be followed are different for gas pipelines than for liquid pipelines. Also, environmental considerations that exist with liquid pipelines—and "clean up" costs to be borne—do not exist with gas pipelines. Finally, in at least one state, different agencies have jurisdiction over gas and liquid pipelines. If the two safety programs are combined, duplicative and/or conflicting agency efforts may arise.

A.G.A. believes that the MTB should maintain the two systems apart, rather than lumping them into one regulatory scheme.

COMMENTS ON THE GAO REPORT

A.G.A. appreciates the opportunity to respond briefly to the GAO report on pipeline safety, published on July 10, 1984.

In A.G.A.'s opinion, the GAO report falls short in the following areas:

The GAO report does not address the objectives of the statute. It makes no effort to demonstrate whether or *not* pipeline safety has improved. However, the report includes a chart—not addressed in detail in the report—which shows that there is a downward trend in pipeline-related injuries and fatalities during the period 1973-1983. This chart can be found on page 70 of Appendix I.

The GAO criticisms and recommendations do not address the objectives of the various pipeline safety programs. Nowhere in the report does GAO claim that public safety would be enhanced by acting on its criticisms and recommendations.

A.G.A. disagrees with the statement that DOT has not provided adequate inspection coverage of interstate and intrastate pipeline operators. Administrator Douglass, in her previously mentioned letter, also disagreed with this aspect of the report, and stated that she did not believe the annual inspection requirements mentioned by the GAO are realistic or necessary for pipeline safety. In any event, whether or not inspection coverage is adequate cannot be judged without further in-

depth analysis. It seems highly unlikely that an increased level of inspection would reduce accidents significantly, as they are trending downward at the present level of inspection. Also, increased inspection will have no effect on those pipeline accidents that are caused by outside forces, which constitute the majority of pipeline accidents. Further, inspection of an operator who is already a responsible operator is not likely to produce safer practices. However, reallocation of the inspection effort to those operators who demonstrate a need for improvement may reduce accidents. This assumes that the inspector's role includes encouragement of compliance, not merely the discovery of noncompliance. Furthermore, consistently uniform training of inspectors should lead to more consistent application of the pipeline safety regulations. A standard level of education could be developed by the DOT to help assure this consistency, rather then increasing inspection burdens for operators who are already in compliance with the safety regulations.

The report specifically addresses three unresolved regulatory issues—gathering lines, customer-owned service lines, and master meter installations. Considerable information has been collected on these subjects, and it is still A.G.A.'s position that Federal regulation is inappropriate in these areas. The problems associated with these three segments of the natural gas industry tend to be very location-specific, and are best handled by the appropriate state regulatory body. The best example of this is master meter systems which, in many cases, are inextricably intertwined with local building codes and permit requirements. Apparently, the three issues remain active merely because they are not currently Federally regulated. A.G.A. believes that there is insufficient evidence to prove that public safety would be enhanced by Federal regulations in these areas. In the absence of justifying evidence, DOT should promote specific legislative exemptions to stop the nonproductive drain of legislative, regulatory, and operator resources toward debating these issues with each change of personnel or with each outside study. This would allow government and industry to spend their resources in more constructive ways that would actually increase pipeline safety.

It should be noted here that RSPA Administrator Douglass' March 12 response to Rep. Phil Sharp states that the GAO audit took place when certain refinements were being made by DOT. Therefore, in these areas, the GAO report is out-of-date.

A.G.A. hopes that these comments on the GAO report will be helpful to the Subcommittee as it examines the issues raised in the report.

USER FEES TO FINANCE PIPELINE SAFETY

A.G.A. opposes the concept of "user fees" to pay for the implementation of pipeline safety regulations, for the following reasons.

Since pipeline safety benefits all of society, the brunt of the cost should be spread out over all of those who benefit—who are, in effect, the "users". It should be noted at this point that pipeline operators already expend large sums of money and manpower in efforts to comply with Federal safety regulations. To impose a disproportionate financial burden on the industry to bear more of the cost would be unfair to the industry and the consumers that it serves.

A user fee charged to the pipeline is actually a tax on the gas consumer, because the consumer will end up paying the fee through higher prices for gas. This would be especially burdensome on many consumers of natural gas, who are low or moderate income families.

Increased gas costs due to inclusion of "user fees" would work toward putting the natural gas industry at a competitive disadvantage with other forms of energy. This would not be good for the industry—nor would it be good for the fixed customer of a pipeline that cannot swith to other forms of energy, but would have to bear the increased fixed costs of a pipeline when dual fuel capable customers switch to oil or coal.

For the above reasons, A.G.A. opposes the concept of "user fees" in paying for pipeline safety regulations.

STATUTORY CHANGE IS NEEDED ON NGPSA REPORTING REQUIREMENTS

A.G.A. would like to take this opportunity to point out a statutory anomaly which operates to discriminate against intrastate pipeline and local distribution companies. 49 U.S.C.A. 1674 requires the State agency having control over a state pipeline safety program to report incidents involving $5,000 property damage. This is inconsistent with a regulatory reform accorded to interstate pipeline companies by DOT (49 CFR 191.3), which requires operators of pipelines to report incidents involving $50,000 property damage. The increase is part of DOT's regulatory reform program, and takes into account the greater cost of gas and inflation, both of which have in-

creased dramatically since the NGPSA was proposed in 1968. Because of the statutory amount set for state reporting requirements, however, DOT is unable to accomodate such a change for intrastate pipelines and local distribution companies.

A.G.A. respectfully asks the Subcommittee to look into this statutory anomaly, and hopes that in the current NGPSA reauthorization, this problem can be corrected. The most appropriate way would be to permit DOT to set the damage amount.

CONCLUSION

For the reasons stated above, A.G.A. respectfully submits that the present pipeline safety programs have worked very well and the reauthorization of the NGPSA should leave the present regulatory scheme the way it is.

Senator PACKWOOD. Thank you, sir. Mr. Corcoran.

Mr. CORCORAN. Thank you, Mr. Chairman. I appreciate the opportunity to appear before the committee.

My name is Patrick Corcoran. I am the executive director of the Association of Oil Pipe Lines, and I am appearing today on behalf of the AOPL, an association of 89 interstate common carrier oil pipeline companies. Accompanying me is Mr. V. Kenneth Leonard, transportation director of the American Petroleum Institute, an association with 230 company members and 6,000 individual members.

As we noted before this committee last year, petroleum pipelines, over the years have enjoyed an extraordinarily fine safety record while transporting approximately 25 percent of the intercity freight. Specifically, in 1983 this industry accounted for 3.6 trillion barrel miles of interstate traffic.

Although there have been significant increases in pipeline mileage and volumes in the last decade and a half, the number of accidents per year has declined by one-half in the last 13 years.

A question has been raised today about the possibility of funding the Pipeline Safety Program with industry user fees. While the idea has not been sufficiently defined to allow discussion of its details, the industry is concerned about the imposition of any charge to fund a program which provides the public rather than industry specific benefits. This is particularly so in light of the significant expense already borne by the industry to ensure pipeline safety.

Departing from my remarks for a moment, Mr. Chairman, in this general area, I took the occasion to go to the Library of Congress to try to do some research in the Law Library on user fees, and I found a dirth of cases. I am well aware that the question has come up before the Congress in recent years in a number of different areas—whether it be airports or highways—but the Congress has been very selective, it seems to me, in looking at the legislative history, about when it has and has not imposed user fees and has looked at the question very carefully.

It appears, as has been pointed out by the other witnesses, that where you have a circumstance that a particular user, let us say without characterizing, but let us say an airport which has been constructed with Federal or public funds, it may be maintained in some fashion with public funds, and it is giving a specific use to a user, that that is the type of situation in which user fees have been found to be appropriate.

Here we have a situation where the companies have constructed these lines, and have an ongoing Internal Safety Program in conjunction with the DOT which is in part, if you will, funded by the

industry, and there is no particular benefit to the industry, rather than a general public benefit.

Without elaborating further on that, Mr. Chairman, in conclusion I appreciate the opportunity to appear today, and I will gladly take any questions you may have.

[The statement follows:]

STATEMENT OF PATRICK CORCORAN, EXECUTIVE DIRECTOR, ASSOCIATION OF OIL PIPE LINES

Mr. Chairman and members of the committee, my name is Patrick Corcoran, I am Executive Director of the Association of Oil Pipe Lines. I am appearing today on behalf of AOPL, an Association of eighty-nine interstate common carrier oil pipeline companies. Accompanying me is V. Kenneth Leonard, Transportation Director of the American Petroleum Institute, a petroleum industry association with two hundred and thirty company members and six thousand individual members.

The annual reauthorization of the Department of Transportation's pipeline safety program again brings into focus the subject of the safe operation of liquid pipelines. As we noted before this Committee last year, petroleum pipelines over the years have enjoyed an extraordinarily fine safety record while transporting approximately 25 percent of the intercity freight. Specifically, in 1983 this industry accounted for 3.6 trillion barrel miles of interstate traffic.

Although there have been significant increases in pipeline mileage and volumes in the last decade and a half, the number of accidents per year has declined by one-half in the last thirteen years. Between 1971 and 1983, there has been an average of four fatalities and 12 injuries per year. No other type of transportation industry approaches this safety record.

The industry on its own initiative undertakes a wide variety of actions to ensure the safe operation of its pipeline systems. The effectiveness of these activities can be measured by noting that the single largest cause of pipeline accidents does not stem from the design, construction, or operation of the liquid pipeline network, but from third party encroachment on pipeline rights-of-way.

As to these third-party caused accidents, the oil pipeline companies, in accordance with Department of Transportation regulations, and their own practices, are taking a number of preventive steps including 24-hour monitoring of pipeline systems and dissemination of information to local contractors, public agencies and local residents along rights-of-way.

Analysis of the statistics of liquid pipeline safety, and the infrequency of accidents, are indicative of the fact that the existing programs and regulations are functioning extremely well.

A question has recently been raised about the possibility of funding the pipeline safety program with industry user fees. While the idea has not been sufficiently defined to allow discussion of its details, the industry is concerned about the imposition of any charge to fund a program which provides a public, rather than an industry-specific, benefit. This is particularly so in light of the significant expense already borne by the industry to ensure pipeline safety.

In conclusion, the petroleum pipeline industry has an unexcelled safety record which attests to the sufficiency of current regulation and the industry's continuous efforts to develop more accurate preventative techniques. I appreciate this opportunity to appear before the committee.

Senator PACKWOOD. I notice you represent 89 interstate common carrier oil pipeline companies. Forgive my ignorance, but are there noncommon carrier oil pipelines?

Mr. CORCORAN. Yes; there are.

Senator PACKWOOD. To what extent, in comparison to the common carriers?

Mr. CORCORAN. Well, I think I could give it on a volume basis. Perhaps 80-plus percent or more, probably approximately 90 percent on a volume basis are interstate carriers.

Senator PACKWOOD. Are common carriers, you mean?

Mr. CORCORAN. Are common carriers.

Senator PACKWOOD. Would noncommon carriers by and large carry only the oil of the company that owns them? Or do they contract to carry other oil also?

Mr. CORCORAN. Well, we generally speaking do not to my knowledge have very many contracts in the industry, so you probably would have a situation where it was carrying primarily from a producing field to a refinery simply that particular owner's commodity.

Senator PACKWOOD. Thank you.

Gentlemen, I have no questions. Let me again congratulate all of you. I just wish we had more hearings like this where things have gone, so far, as smoothly as they have in the past, and I hope they continue to do so in the future. Thank you very much for coming.

Mr. CORCORAN. Thank you, Mr. Chairman.

Mr. ELLIOTT. Thank you, Mr. Chairman.

Senator PACKWOOD. We are adjourned.

[Whereupon, at 10:45 a.m., the hearing was adjourned.]

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

STATEMENT OF THE GENERAL ACCOUNTING OFFICE

GAO'S REVIEW OF THE DEPARTMENT OF TRANSPORTATION'S PIPELINE SAFETY PROGRAM

Mr. Chairman and members of the subcommittee, we welcome the opportunity to submit for the record a summary of our report entitled "Need to Assess Federal Role in Regulating and Enforcing Pipeline Safety" (GAO/RCED-84-102, Juy 10, 1984), which was issued to the Subcommittee on Fossil and Synthetic Fuels, House Committee on Energy and Commerce. This statement discusses our findings, conclusions, and recommendations and the Department's actions taken on the recommendations. In providing information on the actions taken in response to our report, we relied on the Department's October 12, 1984, response to the Office of Management and Budget (OMB) as required by OMB Circular No. A-50 and supplemented the response on the basis of subsequent dicusssions with Department officials. However, we did not verify the actions that the Department said that it is taking. We are providing our views on the feasibility of the Department's implementing user fees for inspecting interstate pipeline companies. As you are aware, our analysis of user fees was also initiated at the request of the House Subcommittee on Fossil and Synthetic Fuels.

The Department of Transportation administers the federal pipeline safety program using authority contained in the Natural Gas Pipeline Safety Act of 1968, as amended, and the Hazardous Liquid Pipeline Safety Act of 1979, as amended. These pieces of legislation make the Department responsible for establishing and enforcing safety standards for both interstate and intrastate pipelines.

States may assume responsibility for enforcing the safety standards for all or a part of the intrastate pipelines located within their borders. Some states have been acting as agents of the Department by inspecting interstate pipelines. The states' participation in the program is strictly voluntary; participating states can obtain federal reimbursements for up to 50 percent of the costs incurred in operating their programs. In 1983, 51 state agencies (including agencies in the District of Columbia, Puerto Rico, and two agencies in Florida) participated in the federal gas pipeline safety program.[1]

We found that the Department has not provided adequate inspection coverage of the interstate and intrastate pipeline operators for which it has responsibility. In addition, the Department's inspection coverage may be reduced further, since most states indicated that they do not plan to assume responsibility for (1) the intrastate gas pipelines for which the Department is now responsible, or (2) the intrastate hazardous liquids pipelines in their states when the federal safety standards are amended to cover these pipelines. A few states also indicated that they are thinking of discontinuing all or a portion of their existing inspection activities, in which case the Department would have to pick up the responsibility. If this trend continues, the Department's inspection workload will no doubt increase.

The Department is responsible for ensuring that participating state agencies are adequately enforcing the federal safety standards. But, since state participation is strictly voluntary, we reported that the Department does not have effective means for requiring the states to correct deficiencies in their programs and/or assume responsibility for additional intrastate pipeline systems. Our report recommended that the Department (1) present to the appropriate congressional committees alternatives for better aligning federal program responsibilities and inspection resources, and (2) improve its inspection activities and its evaluations of the states' pipeline safety programs.

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[1] Idaho dropped out of the program in July 1984.

PIPELINE SAFETY

Gas and hazardous liquids pipelines total about 1.75 million miles and transport more than one-half of the nation's energy supply. While statistics indicate that pipeline transportation is relatively safe when compared with other modes of transportation, each year several number of the pipeline failures which occur result in deaths, serious injuries, and considerable property and environmental damage. In 1982, for example, the 1,711 gas pipeline failures reported to the Department (excluding telephone reports) resulted in 31 fatalities and 266 injuries. Similarly, the 200 failures reported on hazardous liquids pipelines resulted in 6 injuries, an estimated commodity loss of 221,411 barrels, and property damage of $1.5 million.

The Materials Transportation Bureau (MTB) under the Research and Special Program Administration (RSPA) is responsible for administering the Department's gas and hazardous liquids pipeline safety program. For fiscal year 1984, program funding amounted to $7.464 million for pipeline safety. This includes $3.5 million for grants-in-aid to participating state agencies.

FEDERAL INSPECTION PROGRAM CAN BE IMPROVED

The Department has not had enough inspectors to meet its goal of performing an annual, comprehensive inspection of each pipeline operator in its workload inventory.

Although we did not evaluate the reasonableness of this goal, we believe that the Department has not provided adequate inspection coverage of all pipeline operators under its jurisdiction. The inspection personnel assigned to the Department's five regional offices—16 as of December 31, 1983—are responsible for inspecting about 360 interstate gas and hazardous liquids pipeline operators, 290 interstate gas pipeline operators, and 16 liquefied natural gas facilities. According to our analysis of inspection records, 24 percent of the pipeline operators received comprehensive inspections in 1981 and 17 percent received them in 1982. Some operators had been inspected only once every 3 to 5 years. In addition, some types of intrastate gas operators (master meter and liquefied petroleum gas) have not been included in the Department's workload inventory and are inspected only when a complaint is received, an accident occurs, or a specific request is made.

Acknowledging the Department's limited pipeline inspection resources, we believe inspection coverage of the pipeline operators under federal jurisdiction could be enhanced. Thus, we recommended that the Secretary of Transportation direct the Administrator, RSPA, to take the following measures:

Evaluate and, if the benefits of having pipeline operators establish a quality assurance program outweigh the cost, implement a mandatory quality assurance program for interstate pipeline operators. While the Department's inspectors would still need to spot-check the operators' quality assurance programs to determine their reliability, such programs would help reduce the amount of time needed by the Department to perform an inspection. We did not determine the operators' cost of establishing and operating quality assurance programs, however, and a cost-benefit evaluation should be made before requiring such programs.

Complete and update its inspection workload inventory by dividing all interstate gas and liquid operators into common inspection units, and include the master meter and liquefied petroleum (LP) gas operators that are under its jurisdiction. The existing workload data do not include (1) many of the small intrastate gas operators that the Department is responsible for inspecting and (2) a breakout of the large interstate operators into common inspection units or segments. One operator may have several pipelines, constructed at different times, carrying different commodities, and traversing a half dozen or more states. But the Department considers this to be one inspection unit, just as it considers another operator whose system consists of one line, one commodity, and operates in one or two states to be one inspection unit.

Require MTB's regions to expand and refine the inspection workload and activity data inventory they maintain and report to headquarters for each category of operator, the number of inspection units subject to inspection and the number of units that have been inspected one or more times during the year, and a breakout of the number of inspections performed by type of inspection. The inspection activity data being reported do not differentiate between the various types of inspections, such as comprehensive inspections, followups on prior inspections, and inspections of new pipeline construction.

Agency comments and actions taken

In responding to OMB Circular No. A-50, the Department stated that it would undertake an evaluation of the concept of a mandatory quality assurance program for interstate pipeline operators, complete and update its inspection workload by dividing all interstate gas and liquid operators into common inspection units, and revise its regional monthly activity report to headquarters to include data on inspections. The Department stated that master meter and LP gas operators will be included in its overall review of the program.

DEPARTMENT'S MONITORING OF STATE PROGRAMS COULD BE IMPROVED

The Department is responsible for ensuring that the states' pipeline safety programs are adequate to assure operator compliance with the federal safety standards. In carrying out this responsiblity, the Department (1) requires the states to maintain and report certain data on their inspection workload and activities and (2) performs an annual evaluation of each state agency. The annual evaluations are based primarily on on-site monitoring visits, which include reviewing the state agency's inspection records, discussing the program with state program personnel, and accompanying a state inspector on an inspection of a pipeline operator. In reviewing the Department's guidelines for state participation in the program and its annual evaluations of the states' programs, and the training the Department offers to state inspectors, we found that the Department could improve (1) its monitoring of states' programs and (2) the criteria for determining the qualifications and training for state inspectors.

Our report recommended that the Secretary of Transportation direct the Administrator, RSPA, to improve state agency inspection activity reporting and MTB's monitoring of state agency pipeline safety programs by:

Using more performance-oriented measures to evaluate state agency actions in enforcing federal pipeline safety standards, which would include revising the monitoring form to eliminate irrelevant questions, redesigning other questions to provide more meaningful data, and developing additional questions to evaluate state program performance;

Providing the regional offices with additional guidance to assure consistent interpretations of the questions on the monitoring form—for example, what must a state be doing before its performance is to be considered "adequate" or "acceptable";

Updating criteria used to determine the minimum level of state inspection activity or establishing new criteria for this purpose;

Clarifying instructions provided for data collection and reporting by state agencies, particularly for data on inspection days, operators inspected, noncompliances, and enforcement actions; and

Having the regional offices (1) review and advise headquarters as to the probable accuracy of the program activity data at the time the state agencies submit such data and (2) devote more time to verifying the accuracy of these data during their annual monitoring visits.

Our report also recommended that the Secretary of Transportation direct the Administrator, RSPA, to better define state inspector qualifications and training requirements and assist the states in obtaining the needed inspector training by

Identifying what knowledge and skills are necessary to conduct effective inspections of operators;

Determining what training the states' inspection workforce needs to conduct effective inspections; and

Working with the states to determine the most efficient and effective way for all state inspectors to obtain the identified training needs within a reasonable time period.

Agency comments and actions taken

In responding to OMB Circular No. A-50, the Department stated that the MTB would (1) redesign its state monitoring form, (2) provide regional offices with guidance to assure consistent evaluations of program adequacy during monitoring, (3) update criteria for the minimum level of state inspection activity, (4) issue new definitions and orders to clarify instructions to states for data collection relating to inspection days, operators inspected, noncompliances, and enforcement actions, and (5) have the regional offices verify the accuracy of state program activity data during their state monitoring visits.

The Department stated that the qualifications which a state inspector should possess will be made known to each state agency by the MTB staff during annual moni-

toring visits and during annual meetings with the staff of each state agency on a regional basis.

The Department stated that the MTB will generally require attendance at all pipeline safety courses for each state pipeline safety inspector within a 3-year period from start of employment as an inspector.

FEDERAL RESPONSIBILITIES NEED TO BE ALIGNED WITH THE DEPARTMENT'S AUTHORITY AND STAFFING

The Department does not have adequate program authority and resoruces to carry out its current program responsibilities. Since state participation is voluntary, the Department does not have a viable means of requiring states to correct deficiencies in their programs and/or assume responsibility for additional intrastate pipeline systems. Furthermore, possible future increases in the Department's inspection workload may cause further deterioration in its already limited inspection coverage.

As previously mentioned, the Department has not provided adequate inspection coverage of all pipelines for which it has been responsible—including the intrastate gas pipelines—and this problem may worsen. Although the states have assumed responsibility for most intrastate gas pipelines, a large number of intrastate operators (including 255 municipals and an estimated 27,400 master meters) are still under the Department's jurisdiction, and this situation is likely to continue for some time. In addition, as of June 1983, 17 of the 39 states with intrastate hazardous liquids pipelines did not have the state legislation necessary to assume jurisdiction over these pipelines. They also indicated that they were not interested in assuming this responsibility when the federal safety standards are amended to include the intrastate hazardous liquids pipelines. Of the remaining 22 states, 14 had the necessary state legislation and 8 were requesting it.

Although a few states have expanded their gas pipeline safety inspection programs in recent years, 15 states experiencing staffing and/or funding constraints have already reduced or are planning to reduce their inspection activities. Another four states may consider dropping out of the program. To the extent the states drop out of the existing gas program, as Idaho did in 1984, and do not accept the new hazardous liquids program responsibility, the Department will have to take on this additional inspection workload involving intrastate operators.

The Department also lacks the leverage needed to require increases and improvements to state agency programs. It has had moderate success in getting states to make program changes as a result of their state agency evaluations. But the Department can do little to require a state to implement recommended changes if the state is unable or does not want to do so. If a state is not satisfactorily carrying out a safety program, the Department may (1) withdraw the state's certification and assume jurisdiction over all the state's operators or (2) withhold grant-in-aid funds. In a case where grant-in-aid funds are withheld and the state's inspection activity seriously decreases, the Department in turn might have to withdraw the state's certification and assume jurisdiction over all of the state's operators. This would place a further demand on the Department's already limited resources.

Considering the Department's present inspection workload, possible future increases in its workload, and its lack of program authority, we believe that the Department, with inpuit from the states, should consider changes to the present program in terms of its responsibilities and/or its funding and staffing levels.

Our report recommended that the Secretary of Transportation direct the Administrator, RSPA, to develop alternatives to redefine the federal role and responsibilities for assuring the safety of intrastate gas and liquids pipelines and present these alternatives to congressional oversight and appropriations committees. These alternatives should propose different combinations of responsibilities for intrastate operators not currently under a state's jurisdiction as well as defining the federal responsibility for assessing state agency programs. Each alternative proposed should include (1) the role and responsibility of both the Department and the state agencies, (2) a discussion of the safety risks associated with the alternatives, and (3) the identification of any legislative change associated with each alternative. Each of the alternatives presented should also include (1) estimates of the staffing and funding levels RSPA and the states would need to carry out those functions that would be their responsibility (2) analysis of the impact each alternative would have on inspection activity.

Agency comments and actions taken

In commenting on our report, the Department agreed to reevaluate the federal and state roles in ensuring the safety of pipelines and to present alternatives to the congressional committees as we recommended. The Department has begun its study

of the federal and state pipeline safety roles with an anticipated completion date of October 1985. An outline has been developed for the study. By querying its Pipeline Safety Technical Advisory Committees on federal/state issues, the Department obtained input from these committees and from the National Association Regulatory Utilities Commissioner's Staff Subcommittee on Pipeline Safety which submitted comments to the committees. A Department official in charge of the study said that the study will focus on the roles and responsibilities of the Department and state agencies and will identify legislative change as they pertain to the alternatives. Instead of a discussion of safety risks associated with each alternative, the study will focus on financial alternatives to maintain or obtain state participation in the program. The Deparment plans to analyze the impact of each alternative on inspection activity and will provide information to the congressional committees on general staffing and funding needs, including types of funding mechanism, as they apply to each alternative (e.g., use fees). Because the study is in its formative states, we are not able to provide specific comments at this time. However, the Department's initial plans have the potential to produce the program alternatives we recommended.

ADDITIONAL PIPELINE FACILITIES MAY NEED REGULATING

The Department is currently not regulating a number of pipeline facilities and commodities transported by pipeline. These include: rural gas gathering lines, gas service lines, hazardous liquids storage facilities, and various commodities such as liquefied carbon dioxide, ammonium hydroxide, ethanol, and methanol. These may have associated safety problems and may need to be regulated, depending upon the degree of hazard.

The Department, however, does not currently have sufficient information to decide whether these pipeline facilities and/or commodities should be regulated. Therefore, additional information should be collected to decide whether regulation is warranted. Our report recommended that the Secretary instruct the Administrator, RSPA, to

Gather and analyze the data necessary to determine whether there are sufficient hazards, involving personal injury or environmental damage, to warrant regulation of rural gas gathering lines, gas service lines, hazardous liquids storage facilities, and substances transported in liquefied form that are not presently regulated and

Take appropriate actions to amend the regulations and, in the case of rural gas gathering lines and/or gas service lines, propose the legislation needed to provide coverage of those additional pipeline facilities that warrant coverage.

Agency comments and actions taken

In responding to OMB Circular No. A-50, the Department stated that the issues of regulatory coverage and the relative roles of each level of government will be best addressed in its overall review of the program. In addition, the Department stated that it will also initiate a study in fiscal year 1985 on the safety performance of hazardous liquid storage facilities that are associated with pipeline transport.

The Department has initiated a study of the risk of all hazardous liquid pipeline terminal storage. The study is expected to be completed in calendar year 1985. The Department is aware of only one unregulated substance transported an appreciable distance—liquefied carbon dioxide. The Department will be collecting information on liquefied carbon dioxide and other substances to determine if they should be studied.

ESTABLISHING USER FEES

As part of our current ongoing review of aspects of the pipeline safety program for the House Subcommittee on Fossil and Synthetic Fuels, we analyzed the feasibility of establishing user fees for interstate pipeline companies to finance the Department's interstate pipeline safety inspection program. On the basis of our analysis, we believe that the imposition of user fees are both legal and feasible. In addition, we believe that financing the costs of interstate pipeline safety inspections through fees to pipeline companies and their customers is equitable as compared with financing such costs by taxes on the general public. Furthermore, our analysis shows the impact of user fees on pipeline operators and their customers will be extremely small, on the basis of the present size of the Department's pipeline safety inspection program.

Legal basis for user fees

Ample legal basis exists for the Department to charge interstate pipeline operators for the cost of safety inspections. Case law involving the general "User Charge

Statute," 31 U.S.C. section 9701, indicates that the Department may (although it is not required to) charge safety inspection fees to interstate pipeline operators under the authority of that statute. Its authority to charge safety inspection fees under the User Charge Statute is contingent upon these inspections providing a special government benefit to specific, identifiable recipients.

The proposition that safety inspections provide a special benefit to those inspected received judicial recognition in a Nuclear Regulatory Commission (NRC) case.[2] The Fifth Circuit Court of Appeals upheld charges assessed by NRC for the routine inspections of nuclear power facilities. The court recognized that the general public benefits from these inspections since they reduce the risk of accidents but we reasoned that operators of inspected facilities also benefit. These operators benefit because safety inspections assure their compliance with NRC's regulations, and thus allow them to continue operating. Similarly, the Department's safety inspections not only benefits the public but also provide special benefits to pipeline operators by assuring the compliance needed to maintain safety and continue operating.

Feasibility of user fees

While pipeline safety inspection fees have not previously been adopted by the Federal government, they are successfully used in some states, We contracted 11 states [3] that employ various fee systems to finance their pipeline safety inspection programs, in order to learn what their experiences have been. The fee systems employed by these states vary in structure, the proportion of costs covered by revenues collected, the length of time the fees have been in effect, and the types of pipeline operators charged. Despite these differences, the state officials that we interviewed generally reported success with their fee systems. In 6 of the 8 states that offered an opinion, state officials believe their pipeline companies appear to willingly pay their allocated share of the safety inspection programs' costs. Only two states have reported oppositions from interstate pipeline companies for charging fees on pipeline inspections.

Two federal agencies charges fees in situations that are similar to the Department's safety oversight of interstate pipelines. As already mentioned, the NRC charges for routine safety inspections of the facilities that it licenses (see 10 CFR part 170). These fees are specifically designed to recover the NRC's costs of conducting safety inspections. Fees charged by the Federal Energy Regulatory Commission (FERC) are not so specific, however. FERC levies a general annual assessment on the private hydroelectric power facilities that it licenses (18 CFR part 36). The revenues collected from these assessments cover the costs of FERC's entire hydropower regulatory program, only part of which is devoted to safety inspections. As with NRC, however, the FERC safety program is ultimately financed by those inspected.

Equity issues and alternative fee systems

Equity issues involve who should finance the costs of interstate pipeline safety inspections—the general public in the form of taxes or the interstate pipeline companies and their customers in the form of safety inspection fees. The salient issues are who benefits from the Department's safety inspections and who should bear the cost of risks created by interstate pipeline operations. We believe it is equitable for interstate pipeline operators and their customers to finance Department safety inspections because the risks that these inspections reduce are entirely created by pipeline operations. Furthermore, it is commonly accepted that economic efficiency is improved if those for whom a product is produced, such as pipeline customers, bear the costs of providing the product. These costs include the Department's expenditures on pipeline safety inspections. Alternative fee systems to finance interstate pipeline safety inspections could be based on (1) the carrying capacity of a pipeline company, (2) the mileage operated by a pipeline company, or (3) the pipeline company's gross revenues. Each of these user fee alternatives are being used by states.

Economic consequences

Our economic anlaysis shows that the impact of a fee on interstate pipeline operators and their customers will be extremely small since the Department's interstate safety inspection program is so small relative to industry revenues. Currently, the Department's interstate safety inspection program costs less than $5 million. A rough estimate of the size of the pipeline industry is $100 billion in revenues.

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[2] *Mississippi Power and Light Co.* v. *Nuclear Regulatory Commission*, 601 F.2d 223 (5th Cir. 1979), *cert. denied*, 444 U.S. 1102 (1980).

[3] Alabama, Arkansas, California, Kansas, Mississippi, Nebraska, New Hampshire, Oklahoma, South Carolina, Tennessee, and West Virginia.

Spreading the interstate pipeline program cost over the pipeline industry would increase prices a maximum of 5/1000 of 1 percent. Doubling the current program cost would potentially increase prices by 1/100 of 1 percent. Charging user fees for the current program level could potentially increase the price of gasoline 0.005 cents per gallon. The price of a therm of natural gas might go up 0.025 cents. These impacts are so small as to be indiscernible. Should all of the costs be passed to the pipeline customers, they would bear the ultimate burden of the fee in the form of almost imperceptible price increases.

This completes our statement for the record. Should you need any additional information, please contact our office.

DEPARTMENT OF TRANSPORTATION REPLY TO GAO REPORT OF JULY 10, 1984
NEED TO ASSESS THE FEDERAL ROLE IN REGULATING AND ENFORCING PIPELINE SAFETY

SUMMARY OF GAO FINDINGS AND RECOMMENDATIONS

In the United States there are approximately one and three-quarter million miles of pipelines subject to federal safety standards. These pipelines are used to move nearly all the natural gas and about one-half of the petroleum and petroleum products transported annually. The Department of Transportation is responsible for inspecting both interstate and intrastate pipeline operators, but the law allows the states to assume this responsibility for all or some of the intrastate operators. To assume this responsibility, the states must agree to enforce the federal safety standards.

The Department has not provided adequate inspection coverage of the interstate and intrastate pipeline operators for which it is responsible. Also, the Department does not have a viable means of requiring states to assume greater responsiblity for intrastate operators or to improve their inspection programs. Most states indicated that they lack the resources needed to assume responsibility for all intrastate gas operators or the intrastate hazardous liquids operators which the federal safety standards will cover beginning sometime in 1984. In fact, some states have reduced their inspection activity, and a few are considering dropping out of the program. Therefore, the Department's inspection workload is likely to increase.

GAO is recommending that the Department present to the appropriate congressional committees alternatives for better aligning federal program responsibilities and inspection resources. GAO also is making recommendations for improving the Department's own inspection activities and its evaluations of the states' pipeline safety programs.

SUMMARY OF DEPARTMENT OF TRANSPORTATION POSITION

The GAO report may unintentionally leave the reader with an erroneous impression about the safety performance of the nation's pipelines. The Department of Transportation (DOT) believes that its pipeline safety program has been quite effective. For gas pipelines, the Department's accident data show that from 1978 to 1983, accidents decreased by 24%, fatalities by 61%, and injuries by 39%. This situation should be improved further by the recent implementation of regulations requiring operators to develop or participate in an "outside force damage" prevention program to minimize damage to pipelines by excavation--the leading cause of pipeline damage and failure. Simlarly, the number of accidents for hazardous liquid pipelines has been steadily declining from just over 300 in 1972 to a low of 161 in 1983.

This safety record notwithstanding, DOT is continuously seeking improvements in its pipeline safety program and, indeed, concurs with many of the conclusions and most of the recommendations of the GAO report. Consistent with the GAO recommendations, DOT is currently taking action on three fronts to improve the pipeline safety program.

First, the Office of Operations and Enforcement (OOE) and the Office of Pipeline Safety Regulations (OPSR) within the Materials Transportation Bureau (MTB) have initiated, or will soon initiate, a number of actions which can improve the program within the existing MTB resources. These are consonant with the specific recommendations made by the GAO in the draft report and were outlined in the earlier DOT response. More specific updates follow.

Second, the new Administrator of the Research and Special Programs Administration (RSPA) has already initiated a more comprehensive review of the pipeline safety program in order to identify further opportunities for improvement. The Administrator intends to extensively involve the pipeline programs' technical advisory committees in this review.

Third, DOT concurs with the central theme of the report: that the pipeline safety program has been evolving over a period of years resulting in a seemingly disparate mix of responsibilities among the federal and various state governments on both regulatory coverage and enforcement; and that there is a need to review the relative roles of each level of government in the protection of the public. DOT will conduct such a review. The specific recommendations and comments which update DOT's previous response now follow.

GAO RECOMMENDATIONS ON NEED TO IMPROVE INSPECTION COVERAGE OF PIPELINE OPERATORS UNDER FEDERAL JURISDICTION
(From Page 31 of GAO Report)

We recommend that the Secretary of Transportation direct the RSPA Administrator to:

- evaluate and, if the benefits of establishing a quality assurance program outweigh the cost, establish and implement a mandatory quality assurance program for interstate pipeline operators (1);

- complete and update its inspection workload by dividing all interstate gas and liquid operators into common inspection units, and by including the master meter and LP gas operators that are under its jurisdiction (2); and

- require OOE regions to expand and refine the inspection workload and activity data they maintain and report to headquarters to include, for each category of operator, the number of inspection units subject to inspection and the number of units that have been inspected one or more times during the year, and a breakout of the number of inspections performed by type of inspection (3).

DEPARTMENT OF TRANSPORTATION POSITION
(Update of previous response to draft report)

A timetable of the specific actions corresponding to these recommendations is listed below:

Recommendation	Action by MTB	Date
(1) Evaluate the benefits and costs of establishing a mandatory quality assurance program for interstate pipeline operators.	OPSR will undertake an evaluation of the concept, including associated costs and benefits.	Initiate in early FY '85

(Continued)

Recommendation	Action by MTB	Date
(2) Update inspection workload using common inspection units for interstate liquid and gas operators and include master meter operators* and LP gas operators under its jurisdiction.	Regional chiefs to divide region operators into common inspection units. The same scheme will be initiated with state agencies at the annual meetings. *Current DOT policy on master meter operators still under its jurisdiction has been enunciated in its March 1984 report to Congress on this subject. Both these operators and LP gas operators will be included in the review of the federal role alluded to earlier.	By 1/1/85
(3) Regions to expand and refine inspection activity data maintained and reported to include inspection unit data and breakout the number and type of inspections performed by units.	New monthly report to OOE from regions will include data on inspection units and types of inspections.	By 2/1/85

GAO RECOMMENDATIONS ON OPPORTUNITY TO IMPROVE FEDERAL OVERSIGHT AND MANAGEMENT OF STATE PIPELINE SAFETY PROGRAMS
(From Pg. 45 of GAO Report)

We recommend that the Secretary of Transportation direct the RSPA Administrator to improve state agency inspection activity reporting and OOE's monitoring of state agency pipeline safety programs by:

- using more performance-oriented measures to evaluate state agency actions in enforcing federal pipeline safety standards, which would include revising the monitoring form to eliminate irrelevant questions, redesigning other questions to provide more meaningful data, and developing additional questions to evaluate state program performance (1);

- providing the regional offices with additional guidance to assure consistent interpretations of the questions on the monitoring form--for example, what must a state be doing before its performance is to be considered "adequate" or "acceptable" (2);

- updating criteria used to determine the minimum level of state inspection activity, or establishing new criteria for this purpose (3);

- clarifying instructions provided for data collection and reporting by state agencies, particularly for data on inspection days, operators inspected, non-compliances, and enforcement actions (4); and

- having the OOE regional offices review and advise OOE headquarters as to the probable accuracy of the program activity data at the time the state agencies submit such data and devote more time to verifying the accuracy of this data during their annual monitoring visits (5).

In addition, the Secretary of Transportation should direct the RSPA Administrator to better define state inspector qualifications and training requirements and assist the states in obtaining the needed inspector training by:

- identifying what knowledge and skills are necessary to conduct effective inspections of operators (6);

- determining what training the states' inspection workforce needs to conduct effective inspections (7); and

- working with the states to determine the most efficient and effective way for all state inspectors to obtain the identified training needs within a reasonable time period (8).

These recommendations focus on the Department's role and responsibilities as contained in existing legislation. However, we recognize that implementing these recommendations may require additional resources. With respect to this, in chapter 5 we recommend that the Department develop and present to appropriate congressional committees alternatives for assuring the safety of intrastate pipelines, including possibly redefining the federal role and responsibilities and related resource requirements.

DEPARTMENT OF TRANSPORTATION POSITION
(Update of previous response to draft report)

A timetable for actions addressing the first five recommendations is given below:

Recommendation		Action by MTB	Date
(1)	Use more performance-oriented measures in state monitoring, redesign form used to provide more meaningful data for evaluation of state programs.	Form being redesigned. Will be covered with National Association of State Safety Representatives (NAPSR) in Fall meetings for use in FY '85 monitoring.	By Fall '84
(2)	Provide regions with guidance to assure consistent evaluations of program adequacy during monitoring.	Covered at Chiefs meeting in July 84.	Completed in FY '84
(3)	Update criteria for minimum level of state inspection activity or establish new criteria for this purpose.	Reviewed at Chiefs meeting--continue to use 75 days/man/yr., but include on-site training of operators and accident investigation as inspection days.	FY '84

(Continued)

Recommendation	Action by MTB	Date
(4) Clarify instructions to states for data collection relating to inspection days, operators inspected, non-compliances, and enforcement actions.	To be covered at NAPSR meetings. New definitions and orders will be issued.	Fall '84
(5) Have regional offices review state program activity data time submitted by states.	Chiefs will verify accuracy during state monitoring.	FY '85

With respect to the sixth recommendation: the knowledge and skills necessary to conduct effective inspections fall into two categories: (1) technical expertise, and (2) investigative expertise. In the former, the technical elements are contained in the subparts of Part 192 and Part 195: materials; pipe design; design of pipeline components; welding of steel in pipelines; joining of materials other than by welding; construction requirements; customer meters, service regulators, and service lines; corrosion control; test requirements; uprating; operations; and maintenance. In the latter, the investigative elements include interviewing witnesses; collecting evidence; photography; report writing; due process of law; and hearing and court appearances. These qualifications, which a state inspector should possess, will be made known to each state agency by the staff of OOE during annual monitoring visits and during annual meetings with the staff of each state agency, on a regional basis.

With respect to the last two recommendations (7 and 8): MTB is modifying the 5(a) and 5(b) certification/agreement documents by adding a statement requiring attendance at all TSI pipeline safety courses for each state pipeline safety inspector within a three-year period from start of employment as an inspector, unless the employing state agency obtains an exception for due cause from the Associate Director for Operations and Enforcement. An example of a situation which might qualify for an exception is an inspector who already possessed extensive education, training, and experience in pipeline safety at the time he or she was hired by the state. The modifications will first appear on the forms for Calendar Year 1985. MTB believes that attendance at TSI courses is the most consistently reliable means for assuring that state inspectors possess the requisite skills and knowledge to fulfill a state's obligation to enforce the pipeline safety regulations. By modifying the forms, both MTB and state agencies will be recognizing this arrangement as a part of the contract process. If a state agency wants to be a partner with DOT in pipeline safety, we believe that it must allow for its inspectors to be trained.

MTB believes that the ultimate assessment on the need for training for an individual state pipeline inspector is best made by the cognizant Regional Chief. He observes the actual performance of each state inspector during visits to each state agency. OOE has adapted state agency monitoring procedures which include guidelines for Regional Chiefs to use in their observances of the state inspectors' field performance. These procedures will be used employed starting in Calendar Year 1985 for monitoring states' performance.

GAO RECOMMENDATIONS ON POTENTIAL FOR REGULATING ADDITIONAL PIPELINE FACILITIES

We recommend that the Secretary instruct the Administrator, RSPA, to:

- gather and analyze the data necessary to determine whether there are sufficient hazards, involving personal injury or environmental damage, to warrant regulation of rural gas gathering lines, gas service lines, hazardous liquids storage facilities, and substances transported in liquefied form that are not presently regulated; and

- take appropriate actions to amend the regulations and, in the case of rural gas gathering lines and/or gas service lines, propose the legislation needed to provide coverage of those additional pipeline facilities that warrant coverage.

While we recognize that the Department does not have adequate resources to carry out the existing inspection program and that these recommendations may further tax these resources, it still has the responsibility to ensure safe pipeline operations. This responsibility includes determining if other pipeline facilities and commodities transported by pipelines should be regulated. In chapter 5, we recommend that the Department develop and present to appropriate congressional committees alternatives for assuring the safety of intrastate pipelines. In its analysis of various alternatives, the Department should consider the possible need to regulate these other pipeline facilities and commodities and the impact this would have on the inspection resource requirements of the Department and the states.

DEPARTMENT OF TRANSPORTATION POSITION
(Update of earlier comments to draft report)

As the GAO recognizes, the issues of regulatory coverage and the relative roles of each level of government are best addressed in the review it recommended in chapter 5 of its report. As stated previously, DOT will undertake such a review. This review is expected to be completed in FY 1985. DOT will also initiate a study in FY 1985 on the safety performance of hazardous liquid storage facilities which are associated with pipeline transport.

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